Vafta on the line Why defeat could be good for Gatt



Creative techniques Imagine...one born every minute



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FINANCIAL TIMES

De Klerk and ANC agree on local power-sharing

The South African government and the African National Congress agreed to guarantee the white minority a substantial share of power in local government in a deal intended to placate the white right wing.

The deal, due to be incorporated in the new constitution, marks an important victory for the ruling National party, which has made concessions on power-sharing in central government and regional devolution, but held out on local government power-sharing. Page 16

Opel cost-cutting plan: Adam Opel, German subsidiary of General Motors, will unveil a far-reaching cost-saving plan tomorrow designed to improve productivity at its German plants.

Srinagar siege lifted: The Indian army lifted its month-long siege of Srinagar's Hazratbal. Kashnir's holiest shrine, after a negotiated settlement with armed separatists. Page 4

Italian budget: Italy's treasury minister, Piero Barucci, became the second senior minister to threaten resignation if parliament fails to pass the 1994 budget by year-end. Page 3; Editorial Comment, Page 15; Barry Riley, Page 17

Honda Motor of Japan's first-half pre-tax profits fell 62 per cent to Y11.1bn (\$105m) because of depressed demand in Japan and Europe and a slower-than-expected recovery in the US. Page 17

Ulster peace signal: Sinn Féin, political wing of the IRA signalled it was not rejecting outright the proposal made on Monday by UK prime minis-ter John Major offering Sinn Fein a seat at the negotiating table in return for an end to IRA

Boost for homosexuals in military: US military opposition to the admission of homosexuals was dealt a further blow when a federal appeals court ordered the Naval Academy to graduate a student it expelled when he admitted he was gay. Page 8



SPD's Scharping puts stress on jobs Rudolf Scharping (left) leader of Germany's opposition Social Demo crats, warned that higher unemployment was leading to rising crime and growth in support for extremist parties. Opening the SPD conference in Wiesbaden, he called for a party policy focused on job creation, welfare tate reform and "a more intelligent organisation

of labour". Page 16 China in \$700m Airbus deal: European aircraft consortium Airbus Industrie is to sell six Airbus A340 long-range airliners to China

in a deal worth about \$700m. Page 7 No boost for Russian output: The fall in Russia's gross national product is slowing, according to the government. But industrial output

is expected to go on declining. Page 2 Stet, Italian state telecom company, has teamed up with Bell Atlantic of the US in an unexpected last-minute bid for a stake in Matav, Hungary's state telecommunications group. Four bids are

being considered. Page 17; Brussels guidelines on telecom market, Page 2; World stocks, Page 44 **Volvo chief in merger talks:** French industry minister Gerard Longuet had talks with Volvo chief executive Sören Gyll on how to reassure the Swedish motor group's shareholders over

the planned merger with Renault. Page 17 Trident submarine curbs: UK defence secretary Malcolm Rifkind confirmed plans to limit the firepower of Trident strategic missile submarines. Page 9; Editorial Comment, Page 15

China's economic brought huge changes and excited

investors around the 14-page FT survey highlights opportunities, challenges and practical issues for investors

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Clinton gains late support ahead of Nafta vote

By Jurek Martin and Nancy Dunne in Washington

EIGHT more members of the US Congress came out in favour of the North American Free Trade Agreement yesterday morning, increasing the perception that this most frantic of vote-catching exercises may finally be leaning in favour of passage and President Bill Clinton.

The 434 sitting members of the House of Representatives (258 Democrats, 175 Republicans and one independent) are due to vote on Nafta late tonight, after eight

hours of scheduled debate. A total of 218 votes are needed for passage, one less for defeat, in an outcome considered pivotal both for the Uruguay Round of world trade negotiations and for the political authority of the presi-

It is likely that neither side will be able to claim that victory is assured before the final tally begins. The administration, in particular, is counting on prom-ises from Democrats still uncommitted or even leaning against approval but who remain willing, at the crunch, to give a Democratic president his majority. Most current estimates of the vote are inherently suspect because they come from one camp or the other. The Associated Press news agency yester-day found 203 opposed or inclined to oppose. 201 likely to vote in favour, leaving 30 undecided. This is the smallest deficit so far counted for the pro-Nafta forces. If the "leaners" in the AP survey are excluded, those committed to passage have a slight edge for the

Reflecting this apparent momentum, Mr Clinton sum-

moned 15 pro-Nafta governors to a White House ceremony, while continuing to work the telephones nonstop. Mr David Gergen, his close adviser, spoke on television of "conservative estimates that we're within about a dozen votes...possibly closer than that".

On Capitol Hill itself, some Nafta supporters were less cautious. An aide to Congressman Esteban Torres, the California Democrat, said 208 votes were now certain, with 15 promises in reserve. "We've won," he declared, perhaps prematurely.

claimed to have 223 sure votes. One anti-Nafta lobbyist said the margin of defeat would be kept deliberately narrow "so as to save the president's face". Mr Lane Kirkland, president of

the AFL-CIO, the umbrella union organisation, accused Mr Clinton "abdicating party leadership" by offering support to Republi-cans who voted in favour of Nafta. He threatened that labour federations may withhold support in next year's elections from Democrats who vote in favour.

about Mr Clinton "wining and dining people at taxpayer's expense on behalf of the treaty.

The rest of the country remains ambivalent about Nafta. A Washington Post survey published yesterday found a 42-42 per cent split on the agreement, a slight improvement for pro-Nafta forces, while a New York Times survey found a 41-37 per cent margin against the agreement.

Mexico's few alternatives, Page 6 Nafta a launchpad for Latin America, Page 15

Vote for political change ends days of wrangling by Japanese parties

First round victory for Hosokawa on reforms

By William Dawkins in Tokyo

JAPAN'S coalition government last night won the first round of a parliamentary showdown with the opposition Liberal Democratic party, paving the way for wholesale reforms to the corrupt political system.

A. parliamentary committee voted in favour of the plans, ending days of bitter wrangling between the seven-party coalition and a divided LDP.

The Tokyo stock exchange's Nikkei average recovered from Monday's 2.3 per cent fall although investors remained cau-tious ahead of prime minister Morihiro Hosokawa's visit to the US at the end of the week.

The committee vote means the reform bills are now likely to get majority approval from what is set to be a stormy debate in the lower house tomorrow. That is the biggest hurdle they face.

The bills will replace the present multiseat constituency system, a Japanese peculiarity blamed for encouraging politicians to use money and influence to get votes, with a mixture of single-seat constituencies and proportional representation.

resterday's vote has opened a rift between younger LDP members eager for reform and able to accept the compromises offered by Mr Hosokawa, and older parliamentarians who have spent

By David Gardner in Brussels

BRUSSELS has come out against

the downgrading of Europe's wel-

fare structures as a way of boost-

ing competitiveness, in a policy document which is expected to

top the agenda at the European Union summit on December 10.

The conclusions come in the latest draft of the white paper on

competitiveness, growth and

employment, due to be submitted

to EU finance ministers on Mon-

day, and a green paper on the future of EU social policy, expec-ted to be approved at the Com-mission's weekly meeting.

The papers argue that new jobs must come from a stable macro-

economic framework and "trad-ing up" into better quality goods

and services in higher added value areas, rather than through downgrading social protection

"Competition in terms of price

through cost-cutting, in particu-lar with low-wage or cost-struc-

ture countries and in certain sec-

and welfare provisions.

THE PROPOSALS

 Lower house seats reduced from 511 to 500, of which 274 to come from sinfrom proportional repre

 Two ballots per voter: one for constituency candidate, one for nationwide PR Door to door campaigning
 currently forbidden - to be allowed from 8am to 8pm

 Donations to Individual politicians to be banned, but donations to political parties or fund-raising bodies Parties must disclose

sources of donations exceeding Y50,000 per year ● Subsidy of Y30,9bn to be ffered to political parties Independent body to draw up new electoral districts

years and millions of yen build-ing power bases and fear losing their seats under the new system. Several young LDP parliamentarians yesterday promised to vote for the government's proposal tomorrow, heralding another wave of defections. Officials predicted that between 20 and 30 LDP parliamentarians might defect to one of the coalition reform groups. Yesterday's

social structure," a confidential draft of the white paper stresses.

more consultative document on social policy, which suggests changes in the balance of taxes

and incentives so that "accept-able and affordable" employment

and health and safety standards can be maintained. "Social prog-ress cannot be put on the back

burner while we look for solu-

tions to our economic problems,"

the green paper says.

The white paper recommends

lowering the cost of taking on workers through an annual

reduction in taxes and social

security charges on labour of

between 1 and 2 per cent of EU

gross domestic product. This would be compensated by taxes

from the greater numbers who would be in work, it argues.

affairs commissioner whose department prepared the green

paper and most of the crucial

inst. Cap Mikts ... Inst. Companies

Mr Padraig Flynn, the social

The same theme informs the



Japanese premier Morihiro Hosokawa is congratulated after reforms survived a crucial vote

vote follows an early morning breakdown in negotiations between the government and an LDP paralysed by internal divisions. An attempt to reopen talks later yesterday morning got nowhere, leaving the LDP outmanoeuvred by Mr Hosokawa's success in driving a wedge between those in favour of political reform and the

Tempers Irayed yesterday as Mr Yohei Kono, the LDP chair-man, likened Mr Hosokawa to a "banana salesman," an unusually pungent insult by Japanese parliamentary standards.

masterminded by Commission

president Jacques Delors - dis-

puted the increasingly prevalent

view that European welfare lev-

els were the main impediment to international competitiveness.

there is no empirical proof of that. What there is is a problem

of funding" of social protection,

Other senior Commission offi-

cials said there was now an

"overwhelming consensus" in Brussels that there were two sep-

arate problems to be dealt with

to achieve the white paper's ambition to halve unemployment

to 5 per cent by 2000. Ways needed to be found of tackling the problem of unem-

ployment among the low-skilled, possibly by adding income sup-

port to earned wages, one official said. But, he added, the real chai-

lenge was to "leap forward, not

backwards," into advanced tech-

nology and high added value pro-

Surveys E HUNGERY

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Mr Flynn said.

"I'm saying categorically that

the upper house, the final stage. by Mr Hosokawa's self-imposed December 15 deadline. Mr Hosokawa had indicated be would resign if political reform failed to get through parliament by the end of the year. Unless the LDP employs delaying tactics in the upper house, it does not look

as if Mr Hosokawa will have to make that sacrifice.

If the four reform bills clear the lower house by the end of the have enough time to get through

Brussels criticised for waste of money

A COMBINATION of weak management, poor financial concost European Union taxpayers at least Eculi5m (\$131m) in 1992, according to a report published by the Court of Auditors

The EU's financial watchdog criticises the European Commission for wasting money in fisheries policy, aid to eastern Europe and the former Soviet Union, training programmes in east Germany and a multi-million pound Euro-promotion exercise at the 1992 Olympic Games.

The UK and Germany, which are waging a campaign for tighter financial controls on the EU budget, are likely to find plenty of ammunition in the__

Court's 404-page report. Waste, fraud and inefficiency continues to plague the Ecu36bn Common Agricultural Policy. which represents just over half of Brussels' annual expenditure. The report identifies numerous areas where mismanagement and inefficiency is endemic:

 The cost of public storage of agricultural stocks such as cereals and milk products was Ecu4.5bn in 1992. But the Commission was unable to produce any records on how cereal prices

were estimated. High subsidies for milled rice exporters to the island of

Reunion in the Indian Ocean

Continued on Page 16

Commission opposes cuts in welfare to create jobs tors, is hardly possible without jobs section of the white paper destruction of the European masterminded by Commission

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WHEN WE INVEST IN A COMPANY WE'RE NOT INTERESTED IN ITS WORTH.

The proposals have been

debated in various forms for the

past five years. Failure to achieve

political reform has contributed

to the downfall of two former LDP governments, finally bring-

ing an end to nearly four decades

Trade surplus grows more

slowly. Page 4

of LDP rule last July.

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Equity Options Int. Bond Service ... Managed Funds

Brussels spells out telecom guidelines

TELECOMMUNICATIONS groups in Europe will have to increase the cost of local telephone calls and charge rival companies for access to the telephone network to fund a basic minimum service for customers once the sector is liberalised, the European Commission said yesterday.

But the Commission said it would be up to individual member states to decide exactly how to fund a "universai service" after January 1, 1998, the date set for opening ordinary telephone services to full competition across the European Union.

The options - which are already being considered by elecoms companies - are contained in Commission guidelines, published yesterday, aimed at helping member states prepare for full competi-

By Andrew Hill in Brussels

ITALY is heading for a

confrontation with its Euro-

pean Union partners over steel

subsidies at tomorrow's meet-

ing of industry ministers in

The European Commission is

today expected to back the

hard line of Mr Karel Van

Miert, competition commis-

sioner, on limiting subsidies to the EU's state-owned steel

industry and cutting capacity.

That will set the scene for what should be a stormy inclus-

try council tomorrow, with

German, Italian, Spanish and

Portuguese ministers fighting

corners for proposed restruct-

Italy is unlikely to be iso-

lated but Rome's restructuring

plan for Ilva, the loss-making

state producer, will almost cer-

tainly be the only restructur-

ing plan not cleared by Brus-

sels before the meeting.

Political stakes are high in

uring of state steelmakers.

ministers agreed on the 1998 deadline for liberalisation, they made clear that the definition of a universal service was essential to calm fears about the effects of competition.

At the moment, basic ser-

vices - such as promising to connect all customers, even those who live in remote areas - are partly funded by profits from international and longdistance calls, which are estimated at up to Ecul6bn (\$18.3bn) a year. But increased competition is expected to cut those profits, and without safeguards some member states and national operators fear that rival companies will simply not carry out loss-making

obligations. The Commission has decided to draw a very broad definition of basic services, based on leg-islation which has already been adopted on the regulatory

over subsidies for steel

Italy. Yesterday there were

demonstrations by steelwork-

ers in Taranto, southern Italy.

Mr Carlo Ciampi

has complained to

about the tough

attitude taken by

the Commission

Mr Jacques Delors

which is expected to bear the

Mr Carlo Azeglio Ciampi.

Italy's prime minister, has

written to Mr Jacques Delors,

Commission president, com-

plaining about the Commis-

Mr Van Miert is pressing for

a 2m tonne reduction in capac-

ity at Ilva as a condition for

allowing some Ecu2.58bn

Paolo Savona, Italy's industry

But negotiations between Mr

sion's tough attitude.

(£1.96bn) of state aid.

brunt of proposed closures.

says that basic customers rights in the EU should include: having a phone connected; receiving services such as installation or repairs within certain time-limits and according to certain stan-

dures; and access to new services such as itemised bills. The Commission says that although basic services should still be "affordable", the cost of such obligations will have to be met by charging local subscribers more for ordinary phone calls and phone connections, and levying fees on new

EU funds will also be available for "peripheral regions" where the telephone network Is less well-developed. Ministers will be asked to adopt a resolution on the Brussels guidelines at their next meet-

minister, and Mr Van Miert on

Monday night, though cordial,

broke up without agreement,

and the Commission said yes-

terday that it would not soften its line. "It's up to them to

close furnaces; it's up to them

how they do it," said Mr Van

In the case involving east German steelmaker Ekostahl,

the Commission last night

agreed an amended plan with

the German authorities

embracing adjustment of the

level of capacity reductions

and state aid involved in plans

to sell a majority of the com-

pany to Riva, a private Italian

including Britain, believe there

may still be problems in agree-ing even an amended Ekostahl

plan, because it involves

building new steelmaking

capacity at a time when the EU

steel industry suffers from

But other member states,

steel company.

operators wanting to use exist-

Rome heading for clash

nearly uninterrupted growth.

Bonn clash worsens

Germany's foreign and defence ministers has flared in public with Mr Klaus Kinkel reported yesterday to have called his colleague Mr Volker Rühe "a lout and a boor" for meddling in foreign policy, Renter reports from Bonn.

members of his liberal Free Democrats, the junior partners of Chancellor Helmut Kohl's Christian Democrats (CDU), about the defence minister, Mr eign policy influence. Mr Rühe

Germans investing less abroad

GERMAN net investments abroad continued to fall this year, dropping by 18 per cent to DM8.3bn (\$4.9bn) for the first six months compared with the same period last year, according to the Economics dards; clear complaints proce-Ministry, writes Ariane Genillard in Bonn.

Belgium continues to be the favourite foreign location for German companies, which invested nearly DM2bn there for the period, down from DM2.3bn the year before. The US and the Netherlands follow closely, with DM1.5bn and DM974m respectively.
The sharpest decline was

recorded in France, where sixmonth investments dropped by more than 50 per cent to DM437m. In comparison, German companies invested DM339m in the Czech republic, which leads as an eastern European investment site.

The overall decline marks the third consecutive year of decreasing German investments abroad after 10 years of

Economists at the German industry federation said the decline reflected the general slowdown in the domestic economy, but investments abroad would increase again in coming years.

DISPUTE between

Stern magazine said Mr Kinkel had complained angrily to Rühe's push to expand his for-



A group of Ukrainians arriving at Moscow's main railway station yesterday, the second day of new visa rules aimed at controlling crime. Such visitors from former Soviet republics must now obtain registration documents from Moscow police and pay daily fees

Output sparks Russia debate

THE fall in Russia's gross national product is slowing. according to government fig-ures published yesterday. But industrial output, which is a key issue in the Russian election campaign, will continue to decline at around last year's

The figures, published by the Interfax news agency, forecast a fall of 10.1 per cent in GNP this year, after a 19 per cent drop last year. Industrial outnut is expected to fall by 16.4 per cent, compared with an 18.8 per cent drop in 1992. Prompted by the country's poor industrial performance, candidates from at least three major parties yesterday promised more support for Russian industry, and protection against foreign competition, at the annual conference of the Union of Industrialists and Entrepreneurs.

The union is headed by Mr Arkady Volsky, who also heads the electoral list of the separate Civic Union electoral alli-

Many of the industrialist union's members will vote for Civic Union, and tell their employees to do the same, but Mr Volsky criticised the radi-

cal ministers of Russia's Choice, the electoral alliance headed by Deputy Prime Minis-ter Yegor Gaidar, who see financial stabilisation as the necessary foundation for eco-

nomic growth. A former Gaidar ally, Mr Alexander Shokhin, deputy prime minister responsible for foreign economic relations, addressed the industrialists on behalf of the rival Russian Party for Unity and Accord, saying that it was essential to deny foreign companies equal treatment to Russian companies for a few years. This

would give time to Russian

companies to cope with market

the legislation necessary to give adequate protection to foreign investors.

...

Mr Svyatoslav Fyodorov, a millionaire eye-surgeon who owns several businesses and is a candidate for another group, the Russian Democratic Reform Movement, stressed the need to improve incentives for workers. "At the moment it is only profitable for them to

Promises of protection are also to be found in Russia's Choice with Mr Boris Fyodorov, the finance minister, calling for curbs on the activities

Czechs attract lower investment

By Patrick Blum in Vienna

DIRECT foreign investment in the Czech Republic has slowed this year with only \$455m (£305m) invested in the first nine months, compared with \$600m in the same period last

writes from Vlenna.

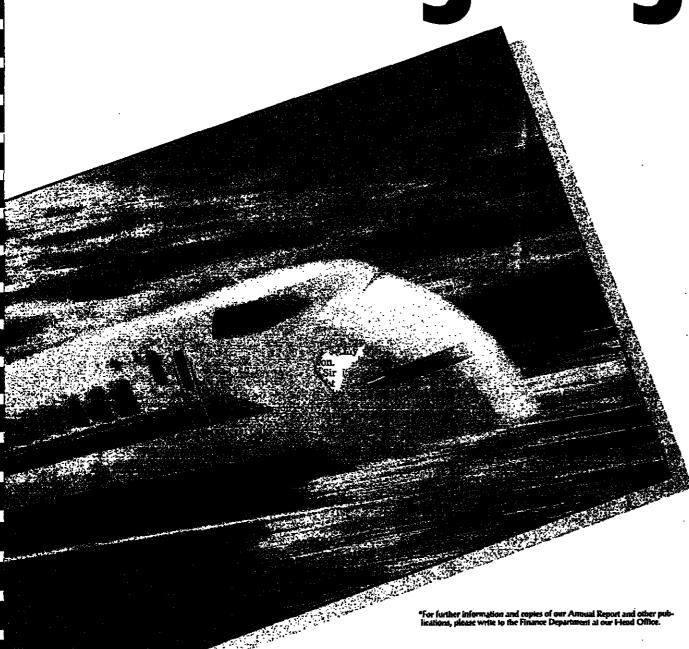
The results confirm fears in Prague that the level of investment could fall as a consequence of recession in the west and rising production costs in

year, according to the Czech the Czech Republic. The gov-National Bank, Patrick Blum erument is concerned that rapidly rising wages are undermining the competitiveness of local companies and deterring

investment Direct foreign investment

Mr Karel Dyba, economy minister, said yesterday he expected the gross national product to grow by between 0.5 per cent and 1 per cent this year, in spite of a decline in industrial production.

Growing Together



A PRIVATIZATION SUCCESS STORY

Established in 1987 with the privatization of Japanese National Railways, West Japan Railway Company (JR West) has won an outstanding reputation for forwardlooking management approaches, financial soundness, and technological innovation. JR West is now in the final stages of preparing to list its shares on leading stock exchanges in Japan.

JR WEST: A COMPREHENSIVE SERVICE ENTERPRISE

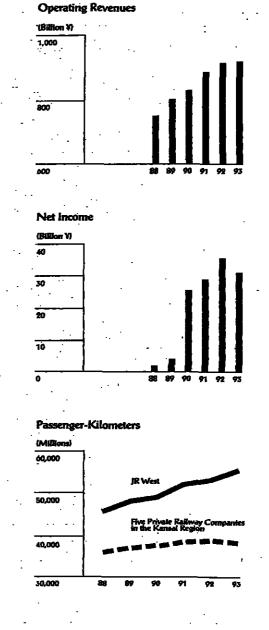
JR West's railway network spans western Japan and comprises the high-speed Sanyo Shinkansen ("Bullet Train"), which plies between Osaka and Hakata in northern Kyushu, the Urban Network of commuter lines serving the Kansai region, which includes Kyoto, Osaka, and Kobe, and conventional railway lines. IR West carries 4.8 million passengers a day, more than the numbers carried by the British and French national

Much more than a railway operator, JR West is branching out into new business fields that offer synergles with its transport operations as it seeks to become a comprehensive service enterprise with close regional ties. These diversified interests span tour services, hotels, restaurants, shopping centers, and real estate and urban development.

KANSAL LOOKING TO THE PUTURE

Well known as the site of many outstanding cultural treasures and tourist attractions, Kansai is also a vibrant commercial and economic center that accounts for approximately 20% of Japan's GNP. Today, the region is being transformed by many large-scale infrastructure projects. These include the Kansai International Airport, which will become the nation's first 24-hour airport from its opening in summer 1994, the Akashi Bridge, which will link Japan's main island of Horshu with Shikoku, and the Kansai Science City.

Such projects, together with the decentralization of key administrative, economic, scientific, and cultural facilities, point to a bright future for Kansai—and for JR West. With Kansai as its main operating territory, the Company is ideally placed to benefit from the region's growing dynamism. As it does so, JR West is redoubling its commitment to meeting the needs of people in Kansai and the expectations of investors.





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Rift widens on Italian budget plan

Piero Barucci, has added his name to that of another senior sinister threatening to resign t parliament fails to pass the 1994 budget by the formal year-and deadline.

The threat springs from a growing rift between "techno-cratic" ministers, who hold some of the key portfolios in the government of Prime Min-ister Can Azeglio Ciampi, and

Last month, Mr Luigi Spaventa, the budget minister, said he would step down if the 1994 spending plans, for which his ministry is largely responsible,

were not passed in time.

Last Friday, the budget was approved by the Senate, the upper house of parliament, after an unusually long exami-nation. It is now before the lower house, where opposition lad (10) all lower house, where opposite is likely to be even tougher.
Although ostensibly over the budget di Although ostensibly over

spending cuts, the budget dispute has been overshadowed by attempts by some politicians to prolong discussions in order to postpone a general election, widely expected early next year. The elections are forecast to register a sharp drop in support for the main political parties. For many deputies under investigation for political corruption, parliamen-tary immunity has been a lifeline against interrogation and

Mr Barucci, addressing foreign journalists in Milan, distinguished between a brief delay in winning approval for the budget and a more serious hold-up. "It would be a severe setback for the prime minister and the three ministers responsible for the economy, espe-cially the treasury", he said. Some observers have already predicted Mr Ciampi would resign on principle if the budget were not passed in time. On privatisation, now mov-

of no return. No matter who came to power after the next elections, privatisation was inevitable, he argued. The selloffs, starting with the Credito Italiano banking group next month, will accelerate in early 1994, with the disposal of two further financial institutions.

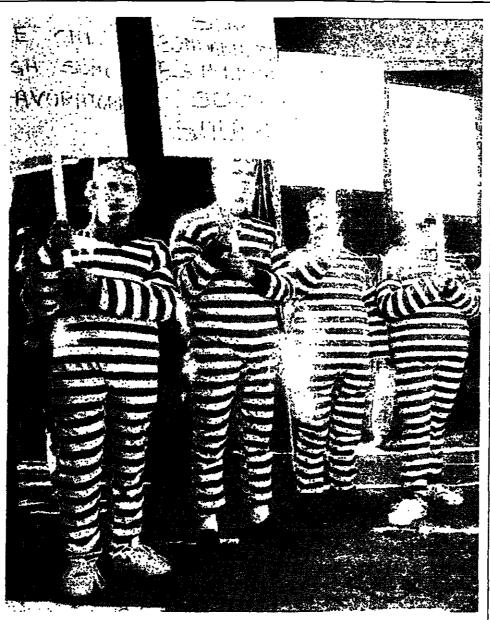
The biggest transactions will come later, with the flotation of the Ina insurance group in June and the Enel electricity authority, possibly by December. In 1995, the government expects to sell off shares in the Stet telecommunications authority and the energy side of the Eni energy and chemicals concern.

Mr Barucci regretted that new legislation to create pri-vate pension funds had so far failed to produce a response. The attempt to foster a private pensions industry, under discussion for more than a decade, was designed to ease pressures on the overburdened state system and create a new pool of institutional investment capital, partly to facilitate privatisations.

"In reality, the new law doesn't work," Mr Barucci admitted. He said the government would have to redraft the legislation to provide a more effective stimulus.

Mr Barucci declined to say when bank creditors to Efim. the state holding company put into liquidation in July 1992, might be reimbursed. While regretting the government's failure to maintain earlier promises on repayments, he ascribed the delays to constant revelations about alleged irregularities in Efim's affairs.

"The money is ready," he said. But "very big problems" remained in paying it out because of the legal actions being taken by Mr Alberto Predieri, the special Efim administrator, against some former



Italian steelworkers dressed as convicts protesting in Rome against the threat of job losses

Protests for jobs in Italy

yesterday demonstrated over job prospects to increase the pressure on a government which opponents say is reaching the end of the line, Reuter

reports from Rome. Some 50.000 building workers, angry over the effects of the country's huge corruption scandal on employment, demonstrated in central Rome,

against EU production cuts went on strike in the southern port city of Taranto.

Italy's two main opposition parties, the Democratic Party of the Left (PDS) and the fastgrowing, pro-autonomy Northern League, are pushing hard for early elections.

In Rome city centre, traffic ground to a balt for the second successive day as a result of demonstrations. On Monday, streets to protest against privatisation plans and to demand better benefits.

Construction work has virtually come to a halt in Rome as city officials suspend investment while a storm rages over bribes paid for public sector contracts. Officials say some 120,000 jobs in the construction sector have already been

IMF lightens the gloom in Moldova

'Impressive' economic reforms by the republic have raised hopes of loans, writes Virginia Marsh

and the shops close early because of severe energy shortages, but prospects have brightened in Mol-dova, one of the smallest former Soviet republics.

Following strong backing for its reform programme by the International Monetary Fund and World Bank, this agricul-tural state, sandwiched between Ukraine and Romania, could become one of the few ex-Soviet republics to conclude a stand-by arrangement with the IMF this year.

If the government agrees to speed up privatisation, imple-ment tighter monetary policy and liberalise foreign trade and prices, it could unlock \$70m of badly needed external financ-

ing. This would be in addition to a \$32m loan under the IMF's new systemic transformation facility - designed to aid countries in transition to a market economy - agreed in Septem-ber, and a \$60m rehabilitation loan from the World Bank

agreed last month. The reform programme of Mr Andrei Sanagheli's govern-ment sets targets for 1994 which include:

 curbing inflation to 1 per cent a month by the end of the year, down from a monthly average of 31 per cent in the first nine months of this year; reducing the budget deficit from this year's 6 per cent of GDP target to 3.5 per cent; privatising one-third of state property.

Hopes of a deal are high. with the IMF and World Bank describing Moldova's reforms as "impressive" and pointing to a greater degree of consensus on reform among Moldova's leadership than in other parts of the former Soviet Union.

The government has already taken some bold and politically difficult steps. In September, it raised bread and milk prices eightfold overnight, reducing subsidies from 80 to 40 per cent. World Bank officials say it has also stopped granting preferential credits to state companies, some of which were receiving loans at 15-20 per cent, well below the 170 per cent re-financing rate.

It also launched a mass privatisation programme last month, with its first voucherbased auction. Under the scheme, Moldovans receive vouchers according to the number of years they have worked for the state. They can use the vouchers to buy their homes or to buy shares in the 1.580 state commercial companies due to be auctioned off by the end of 1994.

A 50 per cent stake in companies in agro-processing - an important sector given that agriculture contributes around 40 per cent of Moldova's gross national product - is to be given to the farms that have supplied them for the past 10 years, while the remainder will

Privatisation hopes to interest foreign investors once companies have been transferred to private ownership. According to Mr Vissarion Cheshuev, the SDP's general director, foreign companies will have access to a stock exchange, due to be set up next year, which will trade shares in the privatised companies. They can also form joint ventures under existing regula-

By October, foreign investors from east and west Europe and the US, had invested \$52m in some 170 joint ventures, many of them in agro-processing. But few expect foreign investment to accelerate until the country resolves the conflict in its eastern Trans-Dnestr region.

Fearing that the country's ethnic Romanian majority would seek reunification with Romania, Russian speakers on the left bank of the Dnestr river three years ago declared themselves independent from the Moldovan government in Chisinau and set up their own

A tense ceasefire has held since fighting claimed hundreds of lives last year, but the conflict and the splitting of the country in two has undermined the economy and complicated reform efforts.

It has also soured Moldova's relations with Russia, which has supported the separatists both financially and through the former Soviet Union's 14th army stationed in Tiraspol, Trans-Dnestr's "capital".

Russia's support of the Trans-Duestrans is one reason why the Moldovan parliament, which includes a sizeable lobby demanding unification with Romania, voted against joining the Commonwealth of Independent States in August. However, President Mircea

Snegur convinced the parliament and the country that this decision would lead to economic disaster for Moldova, which imports most of its raw materials and 90 per cent of its fuel from the CIS, and he signed the economic union agreement with Russia and other former Soviet republics in Moscow in September.

"We have to accept that our economy is nothing but part of a former huge country's economy," he says.

The president says the majority of Moldovans never favoured reunification with Romania and that the country will pursue a "strong policy of co-operation with the east".

But the government's attempts at rapprochement with Moscow appear to have done little so far to resolve the situation in Trans-Drestr. President Boris Yeltsin declined to receive President

Snegur on an official visit to Moscow last month, in spite of Mr Snegur's strong support for Mr Yeltsin in his battle against parliament.

Denmark issues warning to Efta's EU applicants

By Hugh Carnegy and Hilary Barnes in Copenhagen

THE FOUR Efta countries applying to join the European Union could lose their chance of gaining membership if they do not complete accession negotiations by the beginning of March next year, Mr Niels Helveg Petersen, the Danish foreign minister, warned yes-

He said any delay beyond that date of the negotiations with Austria, Finland, Norway and Sweden could lead the EU to shelve their applications, leaving the four, scheduled to join the community in 1995, to

By Laura Silber in Belgrade WINTER storms yesterday

emergency relief effort in the

of the Moslem, Serb and Croat

communities will meet tomorrow in an attempt to secure

Political and military leaders

European countries was con-

"That is why I say to them the time is now, the door is open. Don't hesitate because you might not find the door being that open after March 1.' Speed and determination in these negotiations I think are all important. I would hate to see this opportunity being lost," Mr Helveg Petersen told the FT in an interview.

He said the beginning of March was the latest date that would allow time for the present European parliament to ratify the four accession agreements before new parliamentary elections in June. The take their chances "the next time around" when expansion to include central and east community did not want the negotiations "dragging on" beyond then. "Those less

access for convoys serving about "3m people who are

totally dependent on humani-

tarian aid for survival", said

highlighted the importance of

the one-day meeting in Geneva, which coincides with growing calls within the UN

operation in former Yugoslavia to pull out of Bosnia rather

than risk further attacks on relief workers and UN soldiers escorting aid convoys. The con-

voys are faced with constant blockades despite guarantees

of free movement from local military commanders, especially Serb leaders. The UN last month suspended aid con-

voys destined for about 1.5m

people in central Bosnia after a Danish driver was shot dead.

The Bosnian Serb leader, Mr Radovan Karadzic, and his

Crost counterpart, Mr Mate

Boban, have reportedly agreed to attend the Geneva meeting.

However, the Bosnian president, Mr Alija Izetbegovic, will reportedly send a delegation in his place.

The freezing winter weather

did not silence the guns in Bos-nia yesterday. Serb forces

stepped up their offensive on Olovo, north-east of Sarajevo,

and some 8,000 Bosnian Serb soldiers massed east of the

Bosnian leaders

agreed to attend a last-ditch meeting aimed at salvaging the emergency relief of the United Nations High

agree to talks

ment than others will ask 'when will this end, will it ever

end?"," he said. Denmark is worried about recent opinion polls in Sweden and Norway showing majority opposition to EU membership.

However, Mr Helveg Petersen praised Norway's minority Labour government which is facing strong hostility both within the party and from the main opposition Centre party. The Norwegian government has previously been accused of foot-dragging by EU officials. "The reaction from the Norwegian government has been heroic. There is no hesitation on their part. The community realises the Norwegian government faces an uphill battle."

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INVESTING IN SOUTH AFRICA

Liberty Life, South Africa's most dynamic insurance group, plans international expansion

Donald Gordon, Chairman and Chief Executive of The Liberty Life Group, talks to John Spira, Business Editor of a leading South African newspaper.

Spira: Liberty Life is one of South Africa's fastest growing companies and now rates us the fourth largest South African incorporated company by market capitalisation listed on the Johannesburg Stock Exchange (JSE). It is also the country's largest proprietary life office and its third largest fife insurer. How did this come about?

Gordon: From the outset, Liberty Life took the view that superior investment performance of policyolders' funds and an effective partnership between shareholders and policyholders were the fundamental bases of a life insurer's success. Liberty Life's ongoing investment record over a sustained period is probably the major single factor in its success and this concentration on quality and special and dynamic situations has been a key feature of the company's pokey for the past 30 years. The growth of Liberty Life's insurance sales is also an important measure of our success and our new life business should grow by around 40 percent during 1993. The absolute kevel of growth is greater than in any year in our history, which, off our large base, is an exceptional achievement.

The investment policy has been highly focused insofar as a number of major strategic investments was acquired when exceptional opportunities presented themselves. These opportunities were successfully consumated, narticularly in the consentration on quality and special and dynamic situations ha

opportunities were successfully consumated, particularly in the 1980s, at which stage Liberty Life acquired dominant stakes in Smidard Bank Investment Corp. South Africa's leading brinking group. We also acquired joint control, in conjunction with Johannesburg Consolidated Investment Co and the Anglo American Corp. of The Premier Group, South Africa's pre-eminent food and pharmaceutical group; and South African Breweries, the largest beverage and consumer-orientated business in South Africa.

nusiness in some Arrica.

The dominant 40 percent stake acquired in the Standard Bank from Standard Chartered Bank of London in 1987, coincident with the reorganisation of the controlling shareholdings of the Liberty Life Group in 1983, was a further major factor in the explosive growth of Liberty Life, as this association constituted one of the earliest examples of bancavarance geared to exploiting the natural synergies of banking activities and life

exploiting the antural synergies of banking activities and life assurance. As these strategic stakes were sometimes too large to be totally absorbed within the polecyholders' portfolius of Liberty Lafe, the shareholders' capital, augmented by preference share issues and other funding mechanisms, facilitated the financing of the excess holdings for shareholders' account in excess of the prudent requirements of policyholders. These strategic investments showed exceptional growth and by the middle of 1993 had a market value of around R6 billion 11.2 billion pounds. This resulted in the extremely powerful capital base which Liberty Life now enjoys. Taking into account minority shareholders' interests, the capital base of the company now exceeds R11 billion (2.2 billion pounds), making Liberty Life one of the most highly capitalised life companies in the Western world. Liberty Life's investment performance, its innovation and range of insurance products, augmented by a dynamic marketing strategy, enabled it to become highly competitive. As a consequence, the company was able to achieve a dominant position in the more sophisticated area of business and professional life insurance as well as exploiting the emerging personal persions, linked and nedleal insurance markets. In 1970 the company became heavily involved in the real estate industry and the concept of equity-linked neurance in its early format was extended to the principle of linking pokey benefits to the performance of major property developments.

format was extended to the principle of linking policy benefits to the performance of major property developments. Following the disinvestment of control of The Liberty Life Group by the Guardian Royal Exchange in 1978, Liberty Life Group by the Guardian Royal Exchange in 1978, Liberty Life enterted the London market and through its London-listed subsidiary, TransAdanuc Holdings, gained joint control of Sun Life Assurances Society with Societe Centrale Union des Assurances de Paris (UAP). In 1992 TransAdlanue finally acquired 100 percent control of Capital & Counties, the prominent UK property company, which today is the leading shopping centre developer in Britain.

All these developments enabled Liberty Life to increase its asset base by an average annual rate of more than 40 percent compound for the past 36 years since its founding in 1958. This asset base is currently valued in excess of R42 billion (8.4 billion

pounds). This compares with the initial capital of \$0,000 pounds in 1958, when the company first commenced writing life insurance in Johannesburg. Including investment funds and property interests entrusted to Liberty Life for management by major pension fund clients and other institutional investors, as well as the GuardBank suite of unit trusts and our associate. Guardian National Insurance Co, total assets under The Liberty Life Group's direct control amount to almost R60 billion (12 billion pounds). Taking into account the R65 billion (13 billion pounds) asset base of our banking associate, Standard Bank Investment Corp, the jointly-controlled Sun Life holding and other jointly-controlled companies. The Liberty Life/Standard Bank Group with total worldwide investment and financial assets of more than R200 billion (40 billion pounds), has consolidated its position as the largest South African-based consolidated its position as the largest South African-based

Spira: What is the group's South African structure?

Gordon: Liberty Life's association with The Standard Bank Group gres back to 1978, when control of The Liberty Life Group was re-acquired from the Guardian Royal Eachange. In 1983, Standard Bank and Liberty Investors Life (a company listed on the JSE controlled by the Gordon family) acquired joint control of The Liberty Life Group through a 52,2% interest in the group listed holding company, Liberty Holdings, which has a 53 percent interest in the key life insurer, Liberty Life. In addition to its interest in Liberty Life, it has a 50 percent interest in Guardbank Management Corp, which, in partnership with First National Bank, operates the highly successful Guardbank mutual final business. It also has a 46 percent interest in Guardian National Insurance Co, which is a South African short term insurer controlled by the Guardian Royal Exchange of the UK and a leader in the casualty market in South Africa.

Spira: How important a player is the Liberty Life group on the JSE?

Gordon: In terms of its market capitalisation of R15 billion (3 billion pounds). Liberty Life is the JSE's fourth largest South African company after Anglo American. De Beers and SA Breweries; and Liberty Holdings is also in the top 20 with a market capitalisation of R8 billion (1.6 billion pounds). First International Trust (FIT), which is controlled by Liberty Life, holds a 37 percent stake in Trans-Allamic Holdings, which contains the main offsbore group investments of Liberty Life, and has a market capitalisation of R2.5 billion (500 million pounds); and the newty-formed Liblife Strategic Investments (Libsil), in which Liberty Life relains an 80 percent interest, has a market capitalisation of R5.6 billion (1.1 billion pounds). That's a fairty significant contribution to the availability of investments on the JSE. The components of Libsil comprise Liberty Life's major strategic investments, consisting of large and dominant holdings in some of South Africa's pre-eminent blue-chip stocks, including Standard Bank Investment Corp. The Premier Group, SA Breweries and Gold Fields of SA. Liberty Life's capital base and free assets, including mimority shareholders' interests, now exceed R14 billion (2.8 billion pounds), proveding an exceptionally strong level of security cover for our policyholders.

Spira: What of your offshore investments?

Gordon: These are mainly held through FIT, which owns 37 percent of UK-based TransAtlantic, specifically for the benefit of policyholders. In addition, Liberty Life shareholders have a direct IR percent stake in TransAtlantic. UAP also has a direct TransAtlantic, which is Irsted on the London Stock Exchange, has a market capitalisation in the UK of more than one hillion pounds and has two important key investments.

The first comprises 50 percent of Sun Life, owned jointly with UAP, France's largest insurer, with which we enjoy an authority and the sense of time to the content of the content o outstanding relationship.

Since the year control statution in connection with Sun Life was pur in place by Trans-Atlantic and UAP in 1991, which was followed by the delisting of Sun Life shares from the Londro Stock



Denald Gordon

Exchange early the next year, Sun Life has achieved remarkable growth. Its asset base has grown from under 8 billion to 13 billion pounds in just over two years. In certain important areas Sun Life is a market leader with a rate of growth in new business of 27 percent for the first six months of 1993 in a relatively sluggish market. This compares most favourably with the other large life offices in the UK, particularly in the broker market.

UK, particularly in the broker market.

Son Life now has funds under its control of 14 billion pounds.

Our 50 percent investment in Sun Life is reflected in the
accounts at its original 1991 acquisition cost of around 400
million pounds and, clearly, with the growth of business and
asset base over the past two years, this would imply a valuation
for Sun Life substantially in excess of the historic value of the
company established in 1991.

company established in 1991.
The other key component of TransAtlantic's business is Capital & Counties, Over the decade that we've been involved in Capital & Counties, we've become the leader in out-of-town shopping centre development in the UK, with interests in eight leading shopping centres throughout England. We were one of the first to introduce the concept of rental/numover letting, which was based on our favourable experience in this area in South Africa. I am confident this will be a big factor in the success of our retail operation, in the fourte.

confident this will be a big factor in the success of our retail operations in the future. We've developed some excellent regional shopping centres, mainly around the M25 motorway. Our major investment — almost 35 percent of the total value of Capital & Counties' property interests — is the Thurrock Lakeside shopping centre, where, in the catchment area, there are 11 million people and a low level of competition. We're seeing a rapidly increased flow of people through the centre and Thurrock Lakeside is now regarded as the pre-emitted regional shopping centre in the UK. The centre was completed in 1990 but it will take some years before it achieves its full potential, as is the norm with shopping centres in general and, in particular, for regional

before it achieves its full potential, as is the norm with shopping centres in general and, in particular, for regional shopping centres of this size.

In October 1993 we opened a further 3,000 parking spaces to a total of 12,000, but even this, in the medium term, could become inadequate to cater for the huge volume of shoppers we are attracting, particularly at peak periods. Lakeside, from any point of view, is a fremendous asset with vast potential.

Spira: How do you see the future in terms of developing your

Gordon: We have expressed our desire to expand our insurance exposure in the English-speaking world — principally the UK and North America. We have every confidence in our ability to succeed. We're expanding Liberty's reputation into all those markets. I would, however, like to see us established in the US before I meet the end of my course.

markets, I would, however, me to be us established in the be-before I reach the end of my career.

I also see potential in the use of our expertise in developing shopping centres. In this area of real estate, the UK is possibly the least exploited of all the world's developed countries. It has only



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Damages rejected against industrialist

A MILAN court yesterday rejected an appeal for L81bn (£32.9m) in damages against Mr Carlo De Benedetti's Cir holding company by the liquidators of Banco Ambrosiano, the Italian bank which collapsed in 1982, writes Haig Simonian.

The finding concludes a long-running civil court battle brought by the liquidators in relation to share dealings dur-ing Mr De Benedetti's twomonth stint as the bank's deputy chairman.
A separate criminal case

against Mr De Benedetti, who was last year sentenced to more than six years' imprisonment in connection with his role at the bank, is still pend-

Although Mr De Benedetti's lawyers have launched an appeal, further hearings remain blocked until the judges reveal the motivation for their sentence. The delay in the case, which has now reached 20 months, is a record, even by the slow-

moving standards of Italian Yesterday's decision was "a vote of confidence in what we've always sustained," said

Mr De Benedetti. Earlier this week, he said new evidence would soon come to light proving his innocence in the Banco Ambrosiano

Japan's trade surplus grows more slowly

By William Dawkins in Tokyo

JAPAN'S TRADE surplus widened to \$11.09bn (£7.4bn) last month, showing for the third month running a slower growth rate, or even a decline if measured in yen.

The trend continued by ye terday's figure augurs well for Prime Minister Morihiro Hosokawa's meeting with US President Bill Clinton in Seattle on Friday, at which the Japanese government expects Washington to seek evidence of how it plans to narrow the politically

troublesome trade gap. The October dollar surplus rose by 1.7 per cent from the same month last year, the 34th monthly increase running, but a far slower rate of increase than the 3.8 per cent year-on-year rise in September, said

the finance ministry. Japan's bilateral surplus with the US was \$5.2bn last month, up from \$4.94bn in the same month last year. Japanese exports to the US rose by 3 per cent, while imports rose by a mere 0.2 per cent.

In yen terms, Japan's overall

trade gap shrank by 11.2 per cent to Y1.156bn, the same amount as in September. Imports declined by 11.8 per cent, because of weakness of domestic consumption, while exports slipped in yen terms by 11.6 per cent.

Yesterday's trade figures intensified dissent from Japa-nese business groups over the government's continued resistance to US calls for numeritrade and current accounts surpluses.
"It would be easier for Japa-

nese companies to adjust if they had a specific target, such as a certain percentage of gross national product," said Mr Takeshi Nagano, chairman of the Nikkeiren employers' fed-

The government believes such targets are neither desirable nor possible in a free market economy. However, industrialists believe a conce the US would help reduce the value of the yen, so reducing exchange rate losses and

Legislation sparks bitter debate

Keating to push land rights bill

By Nikki Tait in Sydney

THE KEATING government yesterday introduced its native land rights bill into the Australian parliament, and indicated that it hopes to have the contentious and complex legislation on the statute book by

Mr Kim Beazley, leader of the government's business in the House of Representatives, declined to rule out use of a parliamentary guillotine, saying that speedy passage was desirable to ensure certainty. Mr Paul Keating, the prime minister, also said that "most aspects of the bill would come into force by January 1, provided parliament approved the

However, any forcing of the pace is being resisted by the opposition parties, and by the West Australian government, which is vehemently opposed to the federal package and has introduced rival land rights

tect native title where Aborigines can show a continuous link to traditional lands. to negotiate on land use but will not have the right to veto development. Native title tribuland claims and set compensa-

dated, but native title rights can be exercised after a grant

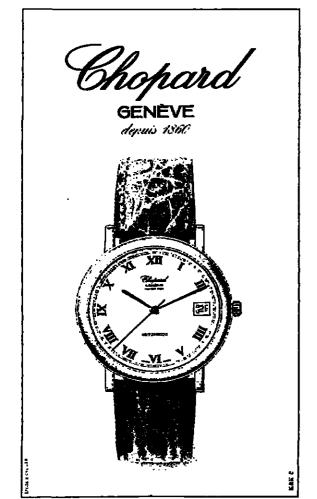
The issue has sparked a bitter debate in Australia, with business, mining and conserva-tive political leaders predicting dire economic consequences if Aborigines gained rights to land taken from them by white

The bill also establishes a National Aboriginal and Torres Strait Islander Land Fund, which will help dispossessed Aborigines acquire and main-

Mr Keating gave no figures yesterday on the size of this fund, or on the expected cost of compensation for the ending of native title claims. An explanatory memorandum attached to the bill said that about A\$6m (£2.6m) had been set aside to fund its initial implementation, but added that it was impossi ble to identify any direct liability for compensation that the Commonwealth might have to

be "considerable". Both the opposition, which has yet to formulate a response to the land rights issue, and the minority parties who hold the balance of power in the Senate, were last night studying details of the bill before

declaring their positions.



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Mohammed Idris, leader of the besieged separatists, hugs his mother as he leaves Srinagar's Hazrathal shrine yesterday

Army lifts Kashmir siege

THE Indian army-lifted its month-long siege of Kashmir's holiest shrine early yesterday after armed separatists "surrendered" to the state police, following a negotiated settle-

Officials said 65 people, including an unspecified num-ber of militants, left the marble buildings of Srinagar's Hazratbal shrine in two groups between I am and 230 am.

four-year-old uprising against Indian rule in the Himayalan state, the only Moslem-major-ity region in mainly Hindu India, in which 70 people have

However, life in Srinagar and many parts of the valley remained disrupted yesterday. as militants refused to call off a strike imposed two weeks ago to protest against the slege of Hazratbal. Many people remained unconvinced by the government's version of events, shown on national television, that the 63 people cap-tive in the mosque had surrendered unconditionally.

Hundreds of men, women and children tried to break the army cordon to enter the

believed to be a hair of the

Leaders of the All-Party Huriyat Conference, a powerful organisation representing militant groups, said they had information that the army had not yet moved away from the area of the shrine.

The Huriyat leaders, who held an emergency meeting last night, said that members of the Moslem clergy who were called in to verify the authenticity of the relic had not entered the room where it was housed until until late yester-

In 1963 when the hair disappeared for almost two weeks thousands of Kashmiris marched through Srinagar.

In New Delhi, political lead ers, especially of the ruling Congress(I) party, were relieved that the month-long stand-off between Kashmirl separatist militants and the vernment had ended peace

Mr PV Narasimha Rao, the Indian prime minister, has denied allegations that the government had brokered a compromise with militants to end the sleep. He insisted that the surrender of the Kashmiri mili-

Six state polls prove gruelling test for Rao

If Congress does badly, intra-party bickering could worsen, writes Stefan Wagstyl

EARLY a third of India's vot-ers are going to the polls this month in six state elections in the north of the country that are proving the most important electoral test for Mr PV Narasimha Rao, the Indian prime minister, since he launched wide-ranging economic liberalisation in mld-1991.

While myriad personal and local

rivalries will colour the outcome in many of the 1.123 constituencies, the results will be a significant test for the ruling Congress (I) party and for the main opposition party, the rightwing Hindu Bharatiya Janata party, which plunged Indian politics into turmoil a year ago when its supporters tore down the Ayodhya mosque.

If Congress does well, the party could rally behind the prime minister and the reforms. But if it fares badly, the intra-party bickering which has plagued Mr Rao for the past year government's ability to handle pressing national problems, including the Kashmir crisis, relations with Pakistan, and further economic reform. If Congress does badly, the BJP has pledged to demand early general elections. In the words of one expert:

"The state elections will set the political tone for some time to come". Opinion polls suggest Congress is

likely to do better than its leaders expected earlier this year. Then, the party was reeling from a wave of sunport for the BJP, compounded by the political impact of the riots which folwed the Ayodhya troubles and the

bombings in Bombay.

The past six months have seen no surge of support for Congress but ebbing in the BJP's popularity. BJP leaders badly need electoral success to rekindle the enthusiasms created by their fight to claim for Hindus the Ayodhya mosque site, but early indications are they may not get it.

Congress fared so badly in the last state elections, when the BJP seized control of four of the six states, that it seems certain this time to improve its showing, however little. If it wins back control of even one state, Mr Rao will be able to claim he is turning the BJP tide.

The polls' timing is the product of the Ayodhya crisis. The BJP-controlled governments in Uttar Pradesh, Raiasthan. Madhya Pradesh and Himachal Pradesh were dismissed mid-term last December by the cen-tral government for allegedly encour-aging the mosque's destruction. Mr Rao put off calling elections immediately, for fear the BJP would benefit

from the post-Avodhya turmoil. He could not postpone the day of reckoning indefinitely, but the delay seems to have worked in his favour. Largely for administrative reasons, polls are also being held simultaneously in the city of Delhi and Mizoram, in India's remote north-east.

Polling is spread throughout November: Delhi, Himachal Pradesh and Rajasthan have already voted: Uttar Pradesh and Madhya Pradesh vote this week, Mizoram next week. The ballot boxes from the early elections are being held under lock and key until after the vote in Madhya Pradesh, to ensure results from one state do not influ ence those in another.

Party leaders are enduring an exhausting cycle of public rallies held hundreds of miles apart and separated by long journeys. For many candidates, campaigning hinges on per-suading a party leader to pay a visit, however brief, and make some spectacular promise: a new school, a road, an international airport.

The last example is not an invention, but a serious demand from mango-growers in Uttar Pradesh who want to export their fragile fruit without subjecting it to a 500-km lorry ride

Personal position matters more than party. Film stars and the children of former maharajas do particularly well. So do the wives, sons and other relatives of politicians. Money is needed for everything from securing a party ticket to transporting voters on polling day and providing refreshments. Violence is not uncommon; thousands have been placed under preventive arrest, including some can-

National issues are obscured in the electoral fray but are not entirely obliterated. Congress speakers do ntion economic reform, albeit often in passing. They prefer to discuss vague subjects such as the party's role in building the Indian nation. Life-size cut-out figures of Mrs Indira Gandhi and Mr Rajiv Gandhi, the assassinated former prime ministers, are displayed, usually more prominently than those of Mr Rao.

The BJP's campaign centres on attacks on the Congress party's social policies which it claims favour India's Moslem minority at the expense of the Hindu majority. Ayodhya figures prominently, but less so than a year ago. Speakers also berate the government for its handling of the monthlong siege in the troubled northern state of Kashmir where the security forces have surrounded Moslem militants in a mosque. BJP leaders say Mr Rao should have flushed the militants

out long ago.

In most constituencies, the fight is mainly between Congress and the BJP. But in Uttar Pradesh, two powerful alternative groupings are also in the running, both left-of-centre and both strongly anti-BJP. One is Janata Dal, led by Mr VP Singh, a former prime minister, and the other the Samajwadi Janata Party, headed by Mr Mulayam Singh Yadav, a socialist

popular with the lower castes. Since Uttar Pradesh is India's largest state and the historical crucible of north Indian culture, its poll result will be especially significant. As one local official says: "When people vote here, Delhi cannot afford to ignore

Politicians all at sea as violence racks Algeria

A BOUT 3,000 people their part are apparently as have been killed in fragmented as their lay brothers. But those who operpension of the elections 22 ate in Algeria have made clear mouths ago that the radical Islamic Salvation Front was poised to win. "We are preparing a larger bat-

The violence has taken on new forms, notably the torching of factories, schools and forests. Armed bands roam Some have become de facto no-go areas where army units cal Islamic groups, the most notorious of which is the Movement Islamics of ment Islamics o hunt armed members of radiment Islamiste Armé.

Many of the 350 foreign companies in Algeria have repatriated the wives and children of employees - the number of lycee in Algiers has dropped by a third. All have regrouped to larger towns. Some have asked

for army protection. Racketing and anonymous threats are rife. It is not advised to travel by Land Rover, a much prized vehicle not only for terrorists but also the thousands of Algerians who make their living in the black market.

Extortion is practised by local gangs - young Algerians whose despair at the bleakness contempt for their leaders whom they dismiss as houkou-mat mikky (Mickey Mouse government). The politicians they loathe,

meanwhile, continue to talk. A Commission of National Reconciliation (CRN), which includes five civilian and three military members, meets regularly in the increasingly desperate hope of finding common ground among "reformers", under which label a rich mixture is to be found. The now banned FIS is not

officially party to these talks though there are persistent rumours that secret contacts have been established between the CRN and more moderate members of the FIS, either in Algeria or abroad.

thirds of its needs.

Francis Ghilès breakdown of law and order in Algeria

one MIA leaflet said. The army, the key fount of power in Algeria since independence, remains in the back-

tle which will only come to an

end when this godless regime is destroyed and the last for-

eigner has left Algerian soil,"

The key challenge confronting Algeria is succession. Those who hold power and have run the affairs of state since 1962 still claim their legitimacy rests on their fight against France between 1954 and 1962. That cuts little ice either with younger Algerians -70 per cent of whom are ployed - nor with many professionals who are voting with their feet. Hundreds of thou-

sands are aiready abroad. The CRN hopes to thrash out common platform, at the least a truce between the different lay groups. The problem where there is little agreement about how to make a radical break with a corrupt and inefficient command economy.

The statistics are alarming: factories are functioning, at best, at 50 per cent capacity; 84 per cent of Algerians between the ages of 15 and 30 are without a job; 102,000 jobs were created annually between 1967 and 1990 when 234,000 were needed; farming yields are the lowest in the Mediterranean; The fundamentalists for the country imports \$2bn

worth of food every year which amounts to more than two

The government led, since last August, by Mr Redha Malek is committed to bold economic reform and negotiations with the International Monetary Fund and Algeria's leading creditors. The object is to loosen the noose of foreign debt which this year will absorb 83 per cent of the country's foreign income, 97 per cent of which derives from the sale of hydrocarbons.

Massive injections of cash into state companies which remained unreformed have pushed up the budget deficit from 7 per cent of GDP in 1992 to 17 per cent this year. Inflation has increased officially by half to 30 per cent and the black market rate of the dinar slipped by about 30 per cent.

An IMF programme probably

implemented over a three-year period is seen as key to future western confidence. Much depends on Algeria's capacity to implement an agreement, should one be possible. One example of gross mismanage-ment in the implementation of the June 1991 IMF standby deal was the how money set aside to protect the poorest Algeri-ans against the effects of rising prices was distributed. The then prime minister, Mr Sid Ahmed Ghozali, left the local authorities, then mostly con-trolled by the FIS do the job. They put 7m people on the list, distributed a miserly 140 dinars to each and told them it was a gift from Allah.

Meanwhile the Moslem faith remains, as across the Islamic world, a powerful weapon in the hands of the wretched of the earth. Many Algerians complain that western Europe harbours radical Islamic leaders, that if France, Germany and Britain do not help them "eradicate terrorism" they will come to regret an "Islamic vic-tory" not just in neighbouring Morocco and Tunisia, but right

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CITIC Telecommunications Limited (Incorporated in the Cayman Islands with limited liability)

Warrants entitling the holders to purchase ordinary shares of HK\$0.50 each in Hong Kong Telecommunications Limited expiring on 10th February, 1995 ("Warrants")

Announcement

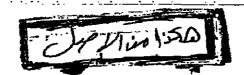
The directors of CITIC Telecommunications Limited are aware that the register of members of Hong Kong Telecommunications Limited ("HK Telecom") will be closed from (Hong Kong time) 6th December, 1993 to 10th December, 1993, both days inclusive, (the "Book Close Period") for the purpose of determining the entitlements to HK Telecom's interim dividend of HK\$0.234 per HK Telecom ordinary share for the year ended 31st March, 1994. Holders of the Warrants are reminded that the right to exercise the Warrants shall be suspended if the Exercise Date (as defined in the conditions endorsed on the Warrant certificates ("Conditions")) shall fall less than 10 Business Days (as defined in the Conditions) prior to the first day of the period during which the register of members of HK Telecom is closed or during the Book Close

Accordingly if an Exercise Date relating to the exercise of any Warrants shall fall within the period from 23rd November, 1993 to 10th December, 1993, such Exercise Date shall be postponed until the first Business Day after the expiry of such period.

Holders of Bearer Warrants who have delivered duly completed Exercise Notice (as defined in the Conditions) containing payment instruction for the Exercise Price (as defined in the Conditions) and Exercise Expenses (as defined in the Conditions) to Euroclear or Cedel not later than 10:00 a.m. on 22nd November, 1993 (Brussels time or Luxemburg time, as the case may be) and registered holders of Registered Warrants who have delivered duly completed Exercise Notice, together with the Warrant certificate(s) and payment for the Exercise Price and Exercise Expenses to Central Registration Hong Kong Limited, the Registrar, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on 22nd November, 1993 (Hong Kong time) will be registered as a shareholder of HK Telecom before the register of members of HK Telecom closes and will be qualified for the proposed interim

Each Warrant entitles the holder thereof to purchase one ordinary share of HK\$0.50 of HK Telecom at the Exercise Price or, at the option of CITIC Telecommunications Limited, to be paid the cash equivalent of the then closing price of such shares in HK Telecom on the Business Day before the relevant Exercise Date.

Amy Wong Hing Hung



World Health THE Organisation yesterday launched a new Aids research strategy which it says "could revolutionise" efforts to prevent the disease.

The WHO, the United Nations health agency, will co-ordinate a campaign by the world's pharmaceutical industry to develop a safe antiviral agent capable of killing or inactivating HIV, the virus that causes Aids. It would probably take the form of a gel or foam which a woman could administer to her vagina

before having sex.
Dr Michael Merson, head of the WHO Aids programme, said a vaginal virucide "would make a real difference to the future course of this epidemic."

The male condom remained the primary means of preventing HIV transmission, he said. "However, faced with the pros-pect of at least 1m women being infected with HIV every year, it is clear that we need a new method to enable women to protect themselves from HIV infection.'

Sperm-killing contraceptives, including the widely used nonoxynol-9, kill HIV in test-tube tests but there is no evidence that they prevent viral transreticent mission in practice. Indeed some clinical studies suggest that their long-term use may increase the risk of infection by damaging the vaginal lin-

The new strategy follows a meeting at WHO headquarters in Geneva, at which representatives of 21 drug companies (including Glaxo and Wellcome of the UK) agreed to a co-ordinated R&D effort. WHO will work with the world's regulatory agencies on a clinical evalnation of virucides.

Dr Merson said an existing compound might turn out to work in clinical trials; if so, it could be used in Aids prevention within two or three years. "A new product may take longer to develop but this meeting has demonstrated a commitment from all sectors to a concentrated research effort."

fire over tribal violence

Moi's government took immediate steps to end the violence, Leslie Crawford writes from

In a report on Kenya*, Africa Watch accuses the government of instigating tribal clashes in which 1,500 people have died and hundreds of thousands have been driven from their

erately manipulated and instigated by President Moi and his inner circle and has undermined attempts to create an atmosphere conducive to politi-

is taking root has made real the alarming possibility of civil of the ethnic clashes are peasant farmers of the Kikuyu tribe, the largest and wealthiest ethnic group in Kenya, who

next week to discuss the resto-

recently announced a \$20m (£13.4m) programme to resettle displaced victims, co-sponsored by the UN Development Programme, Africa Watch urges Kenya's donors to continue withholding aid until the gov-ernment takes effective steps

at a minimum, the full and public investigation of allega-tions of the involvement of government officials in the viocharges where there is evidence of wrongdoing," it says.

Strategy on HIV Palestinians want own central bank sphere at the talks, deep divisions are ests and sectors and encourage the else exercise the rights over our management and me cannot have notice. We will have a purely

PALESTINIANS negotiating future economic relations with Israel yester-day insisted on their own central bank with the power to issue a separate cur-rency and wide-ranging powers of inde-pendent decision-making in trade and axation policy.

In the first set of Palestinian-Israeli economic talks, which concluded in Parls last night, Palestinian delegates stressed they were seeking real eco-nomic sovereignty in the occupied Gaza Strip and West Bank area of Jericho and wanted independent economic decision-making to lay the basis for state-hood. Israel is due to start a four-month military withdrawal from Gaza-Jericho

next month.

Despite public statements by heads of both delegations about the good atmo-

HUNDREDS of Iraqi intruders planted the Iraqi flag on Kuwaiti territory yes-terday to protest against a border secu-

rity trench being dug by the emirate, the United Nations said, Reuter reports

About 250 Iragis threw stones to

chase away workers digging the trench which they said had been built on Iraqi farms without warning.

It was the second border confronta-

tion in a month between Knwait and

its former occupier. It came two days before the UN Security Council holds a

from Kuwait.

Clinton

exercise

on Korean

PRESIDENT Bill Clinton

yesterday refused to say if the US would cancel a military

exercise with South Korea if

North Korea allows inspection

of its nuclear facilities, Reuter

ment on that now. The negotia-

tions are going on and I don't think I should comment. I'll

have more to say about that, I

hope, in the next few days," he

The Washington Times reported yesterday Mr Clin-

ton's foreign policy advisers want him to cancel Operation Team Spirit, a joint military exercise by the US and South Korea planned for the spring, in exchange for a North Kor-ean pledge to end a dispute

over nuclear development. Pyongyang, which for years

has angrily denounced the manoeuvres as a dress rehearsal for an invasion of the North, has reportedly offered to let International Atomic

Energy Agency inspectors visit

Secretary of State Warren Christopher, Defence Secretary Les Aspin and National Secu-

rity Adviser Anthony Lake dis-

cussed the matter on Monday. but when asked about the

offer, Ms Dee Dee Myers, White

Guinea exchange

Papua New Guinea could get

Nikki Tait writes from Sydney.

The exchange would be based on Australian Stock

Exchange rules and its forma-

tion would be subject to a minimum level of interest from brokers and dealers. However,

Once a minimum of five mem-

bers have agreed to participate the exchange will open for business," Sir Julius Chan,

PNG's finance and planning

The ruling conservative

National party remained stuck on its election night total of 49 seats - two short of the amount necessary for a parlia-

The Angolan government and Unita rebels have held two

rounds of face-to-face talks in

the Zambian capital as part of

terday, Reuter reports from Lusaka.
"Both Unita and the Angolan

delegation first met last night

mentary majority.

talks held

Angola peace

minister, said yesterday.

its nuclear complex.

Papua New

told reporters.

"I'm not at liberty to com-

reports from Washington.

Iraqis protest against Kuwaiti

security trench along border

apparent. On the critical issue of Israel's proposal for a customs union, Palestinian delegates said they would not accept Israeli imposition of a uni-form customs and tax regime; they wanted all customs revenues on Pales-tinian imports to accrue to an indepen-dent Palestinian treasury and would insist on free trade with Jordan. They also object to the word "union" which they believe carries unacceptable political implications negating their claims

to sovereignty.
"We don't reject a customs union but we want to have our own economic decisions about customs, taxation and investment policy," said Mr Mohamed Abu-Koash, PLO director for international economic affairs. "But after 27 years of occupation we want to decide how best to develop our economic inter-

regular 60-day review of economic

sanctions imposed on Baghdad for its August 1990 conquest of the emirate.

understand that the trench would only

be dug through their farms once com-

pensation had been resolved by the UN

headquarters in New York."

The Iraqi liaison officer to Uni-

right investments and we cannot begin with the same taxes as Israel."

Mr David Brodet, Israel's director of the state budget, was more optimistic. "Both sides agree on the need for the free movement of goods, services and labour between Israel and the Palestinian economy. There will be some exceptions and maybe a phased exposure but the principle is agreed and everything else can be negotiated."

In money and banking the Palestinians made it clear for the first time they want an independent central bank with full powers to issue a Palestinian currency, control, license and hold the reserves of commercial banks and to direct monetary policy. "We are talking about the economic sovereignty of the Palestinian nation," Mr Abu-Koash "We are not going to let anyone

else exercise the rights over our monetary policy. We will have a purely Palestinian institution."

Israel is unhappy about the imminent prospect of a Palestinian central bank and prefers a gradual handover of mon-etary policy beginning with a Palestinian currency board. Palestinians also said they wanted Israel to remove barriers to Palestinian and Arab investment.

The two sides agreed to establish three sub-committees to meet in Paris next week to bridge the differences of opinion on economic relations. They will focus on the main policy issues: trade and labour; money and banking; and fiscal policy. A joint statement said economic co-operation would be based on "reciprocity, equity and fair ecoment of the role of the private sector in



Boys peer through a hole on a house roof yesterday after an Israeli helicopter raid on their south Lebanon village

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Pro-Israeli militiamen captured in Lebanon

Syria accused over flare-up

By David Horovitz in Jerusalem

ISRAEL yesterday accused Syria of fomenting a worsening of hostilities in southern Lebanon, during which 12 members of a pro-Israeli militia were captured by Hizbollah gunmen.

kom...stated (to Unikom) this was a peaceful demonstration by the Iraqi farmers angry about the digging operations through their farms without any warning, a Unikom statement said. "He added that they had been led to Yesterday's violence was the worst since Israel and the Palestine Liberation Organisation signed their peace accords in Washington two months ago. Israeli ministers claimed Syria had ordered the Hizbollah attacks, out of frustration at Israel's refusal to meet

Damascus' peace demands by withdrawing from the Golan Heights Lebanon's Defence Minister Mohsen Dalloul claimed Israel was heightening tension to undermine "positive moves

towards a just peace".

During the fighting, between Hizbollah, and Israeli troops and their South Lebanon Army militia allies, two Israeli soldiers were wounded by rockets landing metres from the Israeli border. Hiz bollah launched grenades against six villages inside Israel's self-proclaimed south Lebanon "security zone".

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cfan Wagsh

AFRICA WATCH, the human rights group, yesterday warned that ethnic conflict in Kenya could degenerate into civil war unless President Daniel arap

House press secretary, said: "No decision has been made." homes since the advent of the its own stock exchange by the second half of 1994, the govern-ment announced yesterday, multi-party system in 1991. "There is clear evidence that

the government was involved in provoking this ethnic violence for political purposes and has taken no adequate steps to prevent it from spiralling out of control," the report

says.
"The conflict has been delibcal pluralism in Kenya."
"The culture of violence that

Hung parliament in New Zealand war in Kenya," the report says.

The majority of the victims The prospects of New Zealand having a hung parliament appeared to be growing last night after the initial count of special votes cast in six of the 18 marginal electorates, Terry are distrusted by President Moi, a Kalenjin, and his coali-Hall reports from Wellington.

tion of minority tribes. The report comes at an embarrassing time for Kenya, which is due to meet donors ration of financial aid.

Although President Moi to curb the violence. These steps should include,

a UN-brokered bld to halt their civil war, an official said yeslence, and the bringing of at a secret location and they met again today. Talks so far are going on well but I cannot give you any other details," the

Optimism over Uruguay Round accord

By David Dodwell and

OPTIMISM has grown this week among trade negotiators in Geneva that a trade liberalising Uruguay Round accord can be completed suc-cessfully by the deadline of December 15, despite concern over the potentially damaging impact of rejection

by the US Congress of the North
American Free Trade Agreement.
"You can see it coming together," a top US negotiator noted: "It's hard to "and improved disputes settlement."

by successful completion of draft the US and EU to resolve their outtents on a proposed Multilateral standing differences. Next week's meeting in Washington between Sir Leon Brittan, EU trade commissioner, believe that any of the issues remaining will hang the agreement." Although negotiators failed to meet

package, confidence has been booved

EU negotiators are also due to table and Mr Mickey Kantor, his US counproposals for trade in audio-visual terpart, is critical in breaking the the November 15 deadline for completion of a tariff-cutting market access

services, while the US is urging logism between the two.
reform of dumping rules.

The EU says it will lower fish tar-The slippage in the market access iffs and will cut duties on electronics talks largely reflects the inability of and non-ferrous metals if the US cuts

very high textiles tariffs. Washington texts on a proposed Multilateral standing differences. Next week's is due to table a revised tariff offer in Trade Organisation to succeed Gatt meeting in Washington between Sir Geneva this week.

US negotiators made light yester-day of the effect on the Uruguay Round talks of Congressional rejec-tion of Nafta. "A lot in Congress who voted against Nafta would go out of their way to say they are not going

few alternatives By Jurek Martin in Washington

By Damlan Fraser in Mexico City

EXICO'S plan to tions with Europe, Latin America and Asia if the North American Free Trade Agreement is rejected by the US Congress today faces the problem that many non-Americans are less likely to invest in Mexico without it.

In an effort to lessen its dependence on the Nafta. Mexico has already signed a free trade agreement with Chile, and plans to sign new accords with Venezuela and Colombia by the end of this

The government hopes to become a full member of the Organisation for Economic Co-operation and Development by next spring, and is actively looking for bilateral investment agreements with Europe and Asia.

Its threat to diversify trade away from the US has been used by President Bill Clinton as an argument in favour of signing Nafta. If Nafta was rejected, he said, Mexico might sign trade agreements with Japan or the European Union. That could change the purchasing habits of 90m Mexicans and hundreds of millions of people in Latin America," he

However officials in Mexico City from the European Union and Japan say there is no interest in signing a special trade agreement with Mexico. Such an accord would be contrary to their policies of seeking multilateral trade agreements and would upset strategically more important countries, they say.

agreements, the economic effect would be slight, given the small role their countries play in Mexico's economy, the

officials say. "Mexico has 70 per cent of its trade with the US, and will never have that with Europe and Japan," says Mr Jacques Lecomte, the representative of the EU in Mexico City.

From 1989 to August this year Mexico received more than 65 per cent of its foreign investment from the US. 18.7 per cent from the EU and 2.2 per cent from Japan. And the proportion of new investment from the US is growing.

Businessmen and diplomats from the EC and Japan say a rejection of Nafta would probably have a negative impact on their trade and investment with Mexico. While Nafta discriminates against European and Asian companies in investment rules and tariffs, the treaty gives Mexico guaranteed access to the US market, and would increase growth, making the country more attractive to outside investors.

"Without the treaty in place it will be difficult to continue investing in Mexico," says Mr Ryuhei Kato, the head of the Japanese Chamber of Commerce in Mexico City. "It will change the whole perspective of the Japanese presence in Mexico.

Mr Masasumi Yamamoto, Japan's commercial attaché in Mexico City concurs. "Some Japanese companies are con-sidering investing in Mexico to export to the US. In this sense the failure of Nafta would lessen interest in the country and affect investment negatively," he says.

Mexico enjoys Congress gears up for vote



THE WIDESPREAD assumption is that if the North American Free Trade Agreement is Trade Agreement is defeated in the House of Representatives tonight the cause of liberalised world trade is in deep

trouble.
There is little doubt, for example, that an even bigger cloud will promptly gather over the head of the Uruguay Round, itself due to be completed by the congressio-nally mandated deadline of December 15. Yet there is one element in this equation which may not stand up to scrutiny - that a defeat for Nafta denotes such a depth of protectionism in Congress that even if the

Round is concluded it, too, would face certain rejection on Capitol Hill. The pro-Nafta forces, led with exceptional intensity as the vote approaches by President Bill Clinton, understandably pre-fer to confine public connections between the two to warnings of the fearful consequences for the wider agreement and for the damage a Nafta defeat would inflict on US leadership as it pursues a more open global trading regime.

in private, however, Nafta's supporters, and even some of its opponents, will even go so far as to argue that a cathartic rejection of the hemispheric pact would, if anything, reinforce prospects of the Uruguay Round getting through. But to admit this openly would, for the administration, have the effect of lowering the stakes and thus raising chances of Nafta's rejection. Everything, of course, initially depends

on there being a Gatt agreement at all, the hopes for which will certainly not be improved if Nafta goes down. But US diplomats are quite encouraged by signals from Europe that French resistance to agricultural concessions may be softening and that it will not use a defeat for Nafta as a cover for its own refusal to reach agreement in the Uruguay Round.

Mr Edouard Balladur, prime minister, is understood to have been particularly impressed by last week's OECD report which concluded that a Gatt agreement could enrich the world by as much as \$270bn by 2002, the highest independent estimate yet of the potential accrued bene-

But the key to the more optimistic US private scenario is the sense that it will be hard to duplicate in Congress the sort of opposition to the Uruguay Round that, win or lose, has characterised the Nafta Some elements of the anti-Nafta coali-

tion, which includes the far right and the progressive left, will remain dead set against the Uruguay Round. Mr Ralph Nader's populist consumer movement, for example, sees it as yet another plot by multinational corporations to extend their mony over the international economy. 'America First" lobby, associated with Mr Pat Buchanan, the conservative ideologue-politician, is inherently suspicious of international entanglements. Mr Ross Perot, last year's independent presidential candidate, is also making threatening noises against the Round. But the clout of the populists in Congress still does not even remotely approximate that of

And the trade union movement, which has made Nafta into such an immediate life-or-death jobs issue that it has entered into unholy alliances with the populists of the right, has no record of entrenched opposition to global trading accords as a matter of first principle.
Indeed, since President Kennedy secured

sage in 1962 of his Trade Expansion Act, no global bill has faced a tough fight in Congress. This is essentially because congressmen, including those on the left of the Democratic Party, do not like being labelled protectionist. Vice president Al Gore knows this full well from his years in

Gatt agreements, often imperfectly understood on Capitol Hill, rarely can be construed to pose particular threats to the constituencies of individual members. As one lobbyist observed this week, "It is hard to get people in Evanston, Illinois, excited about competition from Malaysia."

Nafta, on the other hand, deals with two neighbours, Canada and Mexico, the sec-ond of whom is demonstrably different from the US politically, socially, and in its economic development. It is a very par-ticular US policy initiative, with no exact

Any consolation that believers in free trade may take from the above argument does not reduce the importance of tonight's vote. Even allowing for the hyperboles being thrown by both sides, the US political bottom line is that the authority of the president is at stake, as may be the political future of this incumbent, Bill Clinton. This, in turn, has imponderable international ramifications

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OTHER DEALS

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US TEXTILES CAUCUS URGES TOUGHER STANCE IN TRADE TALKS

By Nancy Dunne in Washington

PRESIDENT Clinton is being presse by members of the House textiles caucus to harden the US stand in textile negotiations in the Uruguay Round to win votes for the North American Free Trade Agreement.

Ten congressmen from textile and apparel producing states last week told the president that commitments

on a number of issues - including the Uruguay Round - "would help decide our vote on Nafta and could influence the vote of other Members with textile

and apparel constituencies."

The Clinton Administration is engaged in a frantic last minute effort to eke out 218 votes in favour of Nafta. Most of the members, who signed the letter, are undecided or planning to vote against Nafta. but

they are less worried about Nafta than the Uruguay Round. However, in Geneva the US is being pressed to make further concessions by lowering its highest tariffs.

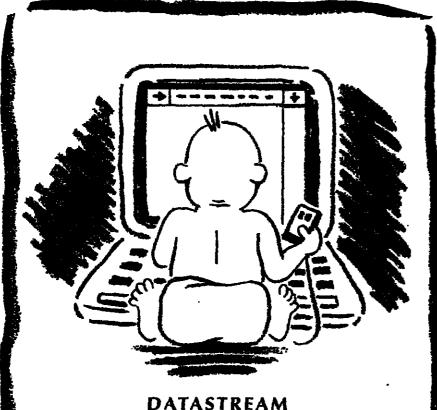
"The US has already made significant concessions in the Uruguay Round," they said in a letter to the President, "If you want support for Nafta from members from textile constituencies, extend the phase-out of the Multifibre Arrangement from 10 over a 15 years. For quotas, the US

to 15 years." This would also be supported by the Caribbean countries, who "realise that it will be hard for them to compete in the US market against lowerwage nations like China once trade allocation by quotas is eliminated." The congressmen said the staging of tariff reductions and quota phase-outs should be gradually implemented

should not agree to lift restrictions on products for which foreign market penetration exceeds 20 per cent until the last possible stage.
The US industry and their European counterparts are close to agreement on tariff reductions, they added. "Our government should make no

offer beyond the levels European and

American industry have discussed.'



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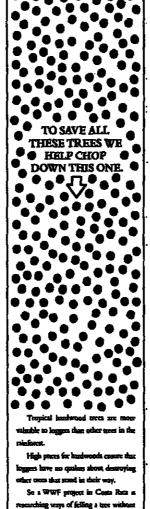
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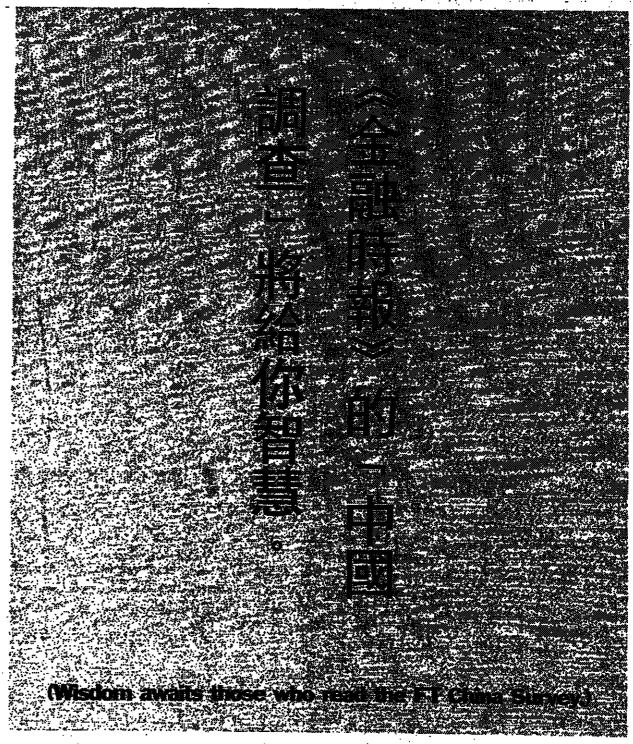


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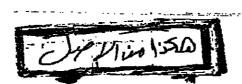


In Thursday's Financial Times, you can find out how and why China is carrying out the most radical reforms in its post-revolution history.

if successful, these changes will mean a complete overhaul of the financial system, state industry and the social structure. They will also bring unprecedented opportunities to trade and invest in this once impenetrable country.

So, a word to the wise: pick up the FT on Thursday. FT China Survey,

FT. Because business is never black and white.



JAPAN'S minister agriculture, Mr Eijiro Hata, yesterday indicated Tokyo may not submit its list of market access offers on agriculture to Gatt by the end of the week due to a lack of progress in negotiations, notably on the controversial rice issue.

Member countries are expected to table their offers by the end of this week to meet the Uruguay Round trade talks deadline of December 15.

Japan does not want to be seen as being responsible for obstructing the successful con-clusion of the Round, but it has continued to maintain an inflexible stance on the opening of the country's rice mar-

During meetings with Sir Leon Brittan on Monday, Japanese politicians kept up their show of resistance to tariffication of rice, maintaining rice was too sensitive a domestic

Japan is offering to reduce tariffs on manufactured goods by 60 per cent.

However, outside the agriculture ministry officials say various initiatives are being taken

expect rice to be made an exception and it would be better to take the initiative in negotiating as favourable a deal as possible. "We must not allow the Uruguay Round to fail as a result of Japan's rice problem," one official said.

Japan finds it difficult to accept tariffication as presented in the Dunkel text," a trade official close to the Uruguay Round talks said. "We are negotiating ways to modify

One possibility would be to accept minimum access to a market without subjecting the remainder to tariffication, though this is unlikely to be acceptable to exporting coun-

Another possibility would be to introduce tariffication but on a more gradual timescale than the six years called for in the Dunkel text in order to

minimise the impact. 'It is also conceivable that Japan might agree to tariffication after a certain grace period - the deal widely reported as being agreed with the US. Japan has been warned, however, that modification of the Dunkel text will

Vietnam contract for Laing

JOHN LAING, the British construction group, has won a contract to design, construct and operate a new \$50m (£33.5m) international passenger terminal at the Noi Bai Airport in Hanoi, subject to a feasibility study which should be completed this year.

John Laing International is the first British company to win a licence for construction since the late 1980s. The terminal will be built in conjunction with the Northern Airports Region of Vietnam.

The terminal, which would

be ready in two years, could handle 2.5m international passengers, against a current traffic of 500,000. It will apparently be based on Birmingham International

Airport's Eurohub terminal. built by Laing Midlands. The contract was initialled last summer following a visit to Britain of Mr Vo Van Kiet,

Vletnamese prime minister. Mr Bruce Boys, managing director of John Laing Interna-tional, said: "We are obviously leased to be one of the first British companies to be involved in Vietnam's expansion. We feel there will be huge investment in Vietnam in the next few years."



GERMAN industrialists accompanying Chancellor Helmut Kohl on a visit to China yesterday signed some 20 contracts and letters of intent worth approximately DM3hn (£1.1bn).

David Waller reports from Frankfurt. ence of Mr Rohl and Mr Li Peng, Chinese pre-mier (pictured above), are the fruits of intensive efforts by German industry and government to cultivate China as the growth market of the future for exports of capital goods.

Among the deals signed yesterday was China's purchase of six A340 airbuses worth DM1.2bn. In addition, a consortium consisting of Siemens and AEG signed a DM628m letter of intent to build a new 18km stretch of underground railway in Guangzhou in the southern province of Canton, which is due to start running at the end of 1998.

German companies will also build three power stations and German shipyards will supeight ships, contracts worth DM450m and DM500m respectively. Deutsche Aerospace, the aerospace subsidiary of Daimler-Benz, will be building telecommunications satellites.

Deutsche Waggonbau, a state-owned company in the east of Germany, signed a contract to supply DM165m of railway wagons for the Chinese railway system. Other contracts were for the building of a fork-lift truck factory, and potash and machine-tool deliveries.

Mr Kohl is accompanied on his week-long tour of China by 40 of Germany's most senior industrialists, including Mr Edzard Reuter. chief executive of Daimler-Benz, Mr Heinrich von Pierer of Siemens and Mr Ferdinand Piëch of Volkswagen, an indication of the importance that Germany places on China's market.

China signs **\$700m order** for six A340s

CHINA yesterday signed a contract to buy six Airbus A340 long range airliners worth about \$700m.

The deal, signed between the European aircraft consortium and the China Aviation Supplies Corporation (CASC), is a breakthrough for Airbus in the fast growing Chinese aviation market.

Airbus expects Chinese airlines to buy about 620 aircraft between now and 2011 to replace older aircraft and provide capacity for growth currently averaging about 30 per cent a year.

China Eastern in Shanghai, China Northwest in Xian and China Northern in Shenyang, are already Airbus customers and operators.

China Eastern has already ordered the new A340 aircraft, while two Chinese manufacturers - the Shenyang Aircraft Corporation and the Xian Aircraft Company - are supplying parts for Airbus aircraft. The four-engine A340s

ordered by China are powered

by CFM56 engines jointly man-ufactured by General Electric of the US and Snecma of

However, Rolls-Royce, the UK aero-engine group, which also makes engines for the Airbus, yesterday won business worth about £70m to supply engines, spares and maintetwin engine regional jets ordered by British Midland, the UK's second largest scheduled

The deal is part of a fouryear £275m fleet acquisition plan announced by British

The UK airline is acquiring on lease arrangements 17 jets including five Fokker 70s, five Fokker 100s, and eight Boeing 737-500s to replace 13 older McDonnell Douglas DC-9s and

four Boeing 737-300s. British Midland is thus the launch customer for the new 75-seat Fokker 70 which it intends to use on its smaller regional domestic and international routes.

Midland's fleet will fall to just

-for boost very the faces a

Ir Gyula ects for st single

*Hosokawa on a tightrope

Japan's prime minister, will step on to a diplomatic tightrope when he goes to Seattle next Friday for the first summit meeting of the Asia Pacific Economic Co-operation forum.

The Tokyo government aims conflicting ambitions of its US and Asian allies in a region which includes some of the world's fastest growing but most diverse economies.

This requires sensitive handling by Japan. Most of Apec's Asian partners - China, Hong Kong, Indonesia, South Korea, Taiwan, Brunei, Malaysia, the Philippines, Singapore and Thailand - prefer to keep Apec

vague and informal. That way, it can contain members of a region far more economically and politically

Japan hopes to balance US and Asia, writes William Dawkins

diverse than Europe ever was, they argue.

Some, such as Malaysia, are also wary over what they see as attempts by non-Asian members led by the US to exert economic dominance through

Officially, Japan stands somewhere in between the Asian and US camps. It hopes to gain regional influence by upsetting neither of them, even if it has no strong ideas of its own on how Apec should

It cannot afford to offend its traditional military protector and biggest trading partner, the US, with which it shares free-market policies, despite perennial rows over each other's alleged protectionism.

By Stefan Wagstyl in Bombay

Power of Britain yesterday announced plans to invest in

ROLLS ROYCE and National

two power stations in India. The moves suggest foreign groups are beginning to over-

come the regulatory and other

hurdles restricting entry into the Indian power industry. The announcements were

the highlight of the opening

day of a week of British busi-

ness events in Bombay which included meetings between

UK companies in

Indian power deals

ever to develop Asian ties. The region is a growing destination for Japanese foreign investment and of increasing diplomatic importance as Japan takes a more pragmatic view of its US partnership after the

end of the cold war. "The US seems insensitive to Asians' feeling that Apec should not be a negotiatin forum," says a senior Foreign

Ministry official. Japanese officials live in horror of further offending Dr Mahathir Mohamad, Malaysian prime minister, who is suspicious of so-called white countries' Asian economic ambi-

tions and has refused to come. Sensitive to concerns such as these, Mr Hosokawa will reject suggestions in the report that Apec should take part in negotiations on international trade liberalisation, say officials. He will call on partners to respect the political, social and cultural variety of Asian nations.

Japan wants to set an "Apec style" rather than a US or Asian style of economic management, adds Mr Takeshi Isayama, director general of economic co-operation at the Ministry of International Trade and Industry.

At the same time, Mr Hosokawa will make one gentle step to pushing Apec forward by proposing a conference on cultural exchange.

This could capitalise on the improvement in Japan-Asian relations achieved thanks to apologies offered by Mr Hosokawa for Japan's wartime aggression over the past few months, the most explicit ever made by a Japanese leader.

At the same time, the culture exchange idea is calculated to be suitably vague for the cautious Asians, and unlikely to rekindle fears of Japanese economic expansionism.

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The state of the second state of Constitute of the *1.5 1 To make a company more responsive to its indistingues and better able to attend new ones. 2. To customerize an organization information strategy, e.g., so extend systems capabilities to branches, bothing follows and other points of enumeric context and apport. 3. What things does for a growing mather of companies and government agencies worldwide. See customer survey, concentrate above resources expected to source of the enumerical regions of the second survey.

higher level, so will your ability to make new customers, build your relationships with them, and generate revenue.

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2, Are your customers as loyel as you want?
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4. Do you really know what your customers want? \Box Yes \Box No

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5. Does your <u>entire</u> organisation know what you

☐ Yes ☐ No A customer orientation has limited value unless it's embedded in the very heart of an enterprise - at all levels, and at every place that directly or indirectly

beining you bear what customers and markets are trying to tell you?

☐ Yes ☐ No

6. Is your information strategy focused on

The next best thing to reading your customers,' minds is listening to what they're saying. But unless you're constantly tuned in to customers signals, you're missing messages that could guide you to greater results for your business.

7. Can your organisation respond quickly to what customers and markets are telling you?

☐Yes ☐ No When the flow lines of your information system are not within your customers' reach, you won't are not within your customens' reach, you won't always sonse when opportunity knocks. But even it you do, getting the message is not enough. If you can't reply rapidly to market signals with information, products and services, revenue opportunities are loss.

8. Does your information strategy enable the proactive delivery of information to your

☐ Yes ☐ No

Many business plans underestimate the power of information to build customer relationships.
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9. Are the full capabilities of your organ ccessible to your customers at all your field

☐ Yes ☐ No An office. A branch. A retail site. To a customer, that's your company. One small part of the whole. Which is why you need to leverage your entire organisation by extending its capabilities to each point of

Does your information strategy reflect the bottom-line importance of customer service?

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businessmen, and between Mr Manmohan Singh, the Indian finance minister and Mr Douglas Hurd, the British foreign EXT WHEE

secretary.
National Power, the generating group, together with Ashok Leyland, the Indian operating company of the London-based Hinduja business family, plans to take a 51 per cent stake in a Res32bn (£684m) project for a 1,000MW coal-fired plant at Visakhapatnam in the central Indian state of Andhra Prad-

The power purchase agreement is the first of its kind for a big power station. The govnt has been encouraging private companies, including foreign groups, to invest in power to alleviate chronic shortages, but the terms of power purchase agreements and of government guarantees have proved a stumbling block in many of the 40-plus projects under discussion. Indian officials hope the National Power agreement will now encourage other investors to press ahead with their negotiations.

Rolls-Royce plans to invest in a Rs20bn station in partnership with the RP Goenka group, a Calcutta-based business combine. The 500MW plant is to be built at Chandil in the eastern state of Bihar. The partners propose to share a 40 per cent stake with the rest of the equity coming from a public issue, topped up with bank loans. Rolls-Royce is to have a £275m turnkey contract to supply equipment, much of it from the UK.

US MILITARY opposition to the admission of homosexuals was dealt a further heavy blow yesterday when a federal appeals court ordered the Naval Academy to graduate a student it had expelled six years ago when he admitted to being gay.

The case in question predates separate legal challenges to the Clinton administration's current "don't ask, don't tell" policy, under which the military no longer asks about a potential recruit's sexual orientation but retains the right to dismiss anyone who is openly

But the language of the appeals court's unanimous judgment in reversing a lower court ruling was sufficiently sweeping to call into immediate question the chances of overturning the current policy. Chief Judge Abner Mikva

BAT Industries said yesterday

it was confident that its US

Farmers Insurance subsidiary

would nass with flying colours

a review into its procedures

launched by Mr John Gara-

surance commissioner, agen-

The review follows a court

award of \$57.8m (£38.7m) in

punitive damages last month

against one of Farmers' insur-

ance exchanges in a suit

Farmers intends to contest

the judgment, which would not

hit profits, because of the way

its business is structured, it

But the uncertainty, plus profit-taking, meant BAT

shares slipped 13p to 503p in

The case goes back to 1959,

When Surgin sought to have

Farmers' subsidiary Truck

when Surgin Surgical was sued

by a competitor for patent

London trading yesterday.

launched by a client.

cies report.

California's in-

insurance inquiry

Garamendi said.

wrote that it was "inherently unreasonable" that the military should justify a ban on gays on the presumption that a certain class of persons will break the law or the rules solely because of their

thoughts and desires." The ruling also rejected the contention that service in the armed forces removed some of

"No 'military exception' to the constitution"

the constitutional protections afforded private citizens. "There is no military exception' to the constitution," it said. "Indeed, even when the Supreme Court has deferred to military judgment, it has been careful to do so only within the confines of ordinary constitu-

"When the military fails to accord individuals the equal protection of the laws, it treads upon an area of expertise that has long been conceded to the courts," the judgment declared. "America's hallmark has been to judge people by what they do and not by who they are."

The court's logic is very similar to that advanced by President Bill Clinton whose controversial insistence on ending the 50-year ban on homosexuals has been rooted in the argument that only conduct in uniform should be the determining factor in a person's fitness to serve.

The case concerned Mr Joseph Steffan, expelled from the Naval Academy in 1987. just before he was due to graduate, after a navy investigation had confirmed that he had told a fellow cadet he was homosexual. His initial appeal against expulsion was dismissed by a



Popular president: Rafael Callejas, pictured at the ballot hox in 1989, now constitutionally prohibited from standing

FTC looks Cold war polemic in Honduras

BAT confident on into drug mergers US Federal Trade was denied coverage. After Surgin filed suit against Truck Commission official yesterday confirmed the agency was

for bad faith, the insurer allegedly destroyed documents that investigating pharmaceutical would have been used in the company mergers, drug prices discovery stage of the case, Mr and efforts to stall market entries by competitors, Reuter Mr Garamendi noted in reports from Washington. Mr Mark Witner, the FTC's launching his inquiry that the case judge had referred to acting deputy director, bureau

Truck Insurance's behaviour of competition, told the Senate as "despicable, vile, malici-ous, fraudulent and oppres-Ageing Committee the commission had recently conducted investigations of hori-However, a BAT Industries zontal and vertical mergers in spokesman said yesterday: the drug industry. "Some of "Farmers' customer service these investigations continue," ranks among the best in the insurance industry. The comhe said. The commission is also pany is confident the review of investigating alleged price dis-

its procedures by the state crimination in prescription department of insurance will drug distribution, he added. "We are also examining in He added that the award had another investigation, the posnot yet been formally entered sibility that an incumbent into court, but when it was. firm has abused regulatory Farmers would appeal on the processes in order to defeat or grounds that the judge retard market entry by a comexceeded his powers.

HE rhetoric of the cold war is over in most parts of the world, but not apparently in Honduras. where presidential, parliamen tary and municipal elections are being held on November 28. The presidential campaign

has been marked by the trading of vitriolic cold war era insults by the two leading can-didates. "The campaign is not addressing the issues; it has become a cold war polemic," said Mr Guillermo Molina, a political analyst in Tegucigalpa, the capital. The candidate for the right-

wing National party of the current president, Mr Rafael Callejas, is Mr Oswaldo Ramos, a former rector of the National University of Honduras. He has led an emotive campaign calling on voters to chose between communism and the father-

He has accused his main rival Carlos Roberto Reina of the centrist Liberal party of having communist sympathies, saying that he and his brother Jorge Arturo are friendly with Cuban President Fidel Castro

and former Nicaraguan Presi-dent Daniel Ortega.

As evidence, Mr Ramos has been running advertisements on television and in newspapers showing a 1960 photograph of Jorge Arturo in Havana, beside the late Ernesto "Che" Guevara, a hero of the Cuban revolution. Mr Reina, a former president

head of the armed forces, who is accused by human rights groups of organising the "diseaders and union members. Mr Ramos, who comes from the more conservative wing of the National party than President Callejas, is known to have strong links with the powerful Honduran military.

Edward Orlebar on 'communist' and 'fascist' insults between presidential candidates

of the San Jose-based Inter-American Court of Human Rights, has called Mr Ramos a liar, a fascist, and a danger to democracy.

Opponents of Mr Ramos have alluded to his past membership of the Alliance for Progress of Honduras, an extreme-right wing organisation linked to the Unification Church. The Alliance was founded in 1983 by Gen Gustavo Alvarez Martinez, then

Most opinion polls have put Mr Reina at least six points ahead, but 30 per cent of voters are still undecided.

Dissatisfaction with the traditional parties may lead to a better showing for the small Christian Democrat party and the Social Democrat Party of Innovation and Unity which between them won 3 per cent of the vote in 1989, say ana-

lysts.
Mr Ramos has had the

advantage of the support on the campaign trail of the personally popular and charismatic President Callejas, who is constitutionally prohibited

from re-election. Since 1990 Mr Callejas has implemented a structural adjustment programme under the aegis of the World Bank and the International Monetary Fund, which has brought economic stability and projected growth of 5 per cent this year. But there has been an increase in poverty, according to the School of Honduran

When not insulting his oppoent, Mr Reina has criticis the orthodoxy of the plan which he says he will renegotiate. "What Reina represents is the critique to this model and its social consequences," says Mr Molina.

Some 2.7m Hondurans have been registered to vote in elections. The Organisation of American States finished revision of the electoral roll for the elections on Wednesday and has added 350,000 veters to the

Caracas suspends sell-off plans

By Joseph Mann in Caracas

VENEZUELA'S privatisation programme has been suspended this week until after a new president is elected on The more, ordered by

is a serious blow to the

President Ramon J. Velasquez,

government's highly regarded privatisation team and means that bidding on state assets will be delayed, perhaps until after a new government takes office in February of next year. Mr Julian Villalba, head of the privatisation programme. said the suspension was a "political decision" taken as a courtesy to the next chief executive. The leading candidate in Venezuela's current presidential campaign. Mr Rafael Caldera, has expressed reservations about the privatisation programme. As a result of the delay the

Venezuelan treasury will not receive at least \$700m from sales of assets planned over the next few months, he added The cash-strapped government will also have to continue financing money-losing concerns due for privatisation. Several large state-owned sets were scheduled to be

sold through international bidding in November and December. They include three electric power companies; Aerpostal, an airline with domestic and internationa routes; and the Caracas Raceway.

Venezuelan and international companies had expressed interest in these and

Canada deficit

Canada's 1992-93 budget deficit was C\$40.5bm, up from C\$35.5bm forecast by the previous Conservative povernment in April, Mr Paul Martin, the new Finance **Minister, announced yes**terday Renter reports from Otiawa.

Mr Martin said he would address measures on jobs and the deficit within three weeks in an economic statement.

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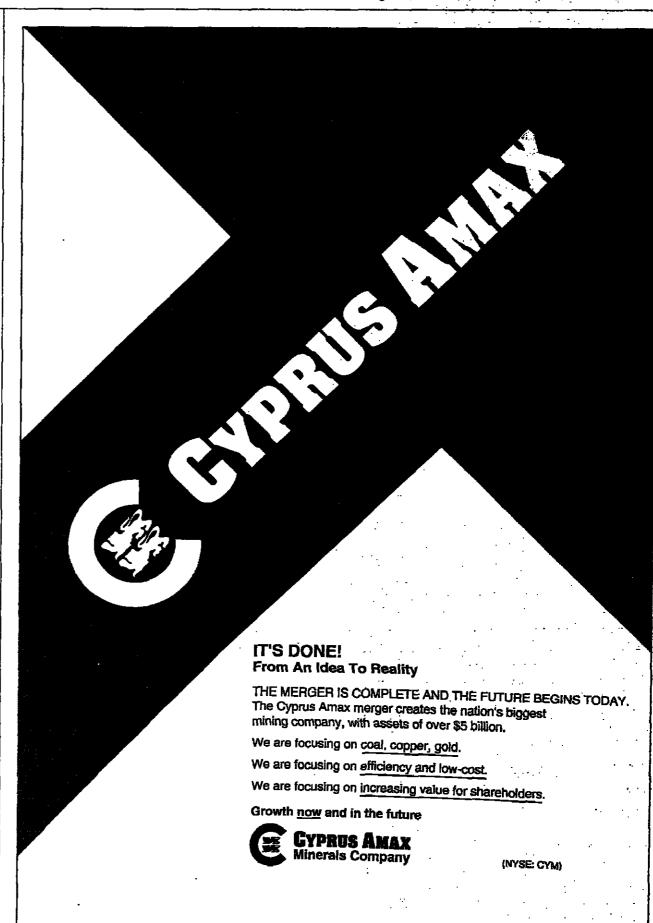
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Positive signal from Sinn Féin on peace

By Tim Coone in Dublin and James Blitz in London

SINN FEIN, the political wing of the IRA, has signalled that it is not reject-ing outright the clive branch held out by Mr John Major in his speech on Monday evening, when the British prime minister said that Sinn Féin would be offered a seat at the negotiating table in return for an end to IRA

Mr Gerry Adams, the leader of Sinn Féin, said yesterday "Mr Major has

acknowledged the opportunity which exists. The onus remains on John Major to deal honestly and directly with the core issues". He did not spell out what concessions the IRA is looking for but added that Sinn Fein remains "firmly committed" to what he called the "Irish peace initiative".

Mr Adams' allegation that there has been "protracted contact and dia-logue" between Sinn Fáin and the British government has been emphatically denied by Sir Patrick Mayhew. the Northern Ireland secretary.

"No officials have been talking to Sinn Féin on behalf of the British Government. We have always made it perfectly clear that there is going to be no negotiating with anybody who perpetrates or justifies the use of vio-lence. That has been our policy and we stick to it", he said.

Mr Albert Reynolds, the Irish prime minister, hinted that his government may have had indirect talks with Sinn Fein. Responding to questions in the Dail (parliament) he said: "No week passes that I do not have people from both communities . . .keeping me informed as to their views of the shift in opinion from various sectors."

Mr Reynolds repeated his hope that there would be developments before the end of the year that would lead to peace, but a government spokesman "There is still some way to go before we can arrive at a joint declaration (by the two governments) to set a framework for peace".

Northern Ireland's unionist politicians were united in their hostility to Mr Major's speech. The Rev Martin

Smyth, Ulster Unionist MP, said his party's support for Mr Major would be called into question if there was any sign that he was failing to govern Northern Ireland "purposefully," But he added "If the IRA are prepared to put down their arms, then that may create a new supation." The Rev lan Paisely, leader of the Democratic Unionist Party, said: "The strength of feeling in this province is for the defeat of IRA/Sinn Fein, not that a way should be made for them to get to the negotiating table."

plan to limit Trident power By David White.

Defence Correspondent

MR MALCOLM RIFKIND, the UK defence secretary, yesterday confirmed plans to limit the firepower of its new Trident strategic missile submarines, but refused to give details of planned armament

UK confirms

The total explosive power deployed on Trident would be "not much changed" from Polaris, he said. However, he set a ceiling of 96 nuclear warheads per submarine, twice the maximum number on Polaris

In a keynote speech on nuclear policy to the Centre for Defence Studies at King's College, London, he said the actual number deployed could be "significantly fewer" than 96. Previously, the maximum was set at 128 warheads per submarine - eight for each of 16 Trident missiles.

The new poiicy "should lay to rest comments and speculation about Trident representing a major growth in the size of the UK's nuclear armoury," Mr Rifkind added.

When Trident was fully in service, the UK's nuclear stockthan in 1990, he said.

He denied that financial considerations influenced the deci sion, and said savings would "very modest indeed" compared with the £10bn overall cost of the Trident programme. Mr Rifkind also made the clearest statement to date of government support for a comprehensive treaty banning nuclear tests. The IIK was ready to "participate fully and constructively" in negotiations to secure a ban he said.

Mr Riskind said Britain would press for an indefinite extension of the treaty.

Although complete disarma ment was "a desirable ultimate goal", Mr Rifkind said it was essential for Britain to keep full-scale strategic nuclear arms and less potent sub-strategic weapons. Trident would be adapted to fulfil both both functions.

Mr Rifkind, who emphasised growing nuclear co-operation ion with France, said Nato should not abandon the right to use nuclear weapons first in a crisis. That, he argued, would convey the message that conventional war was "a safe

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School league tables show deprivation link

LEAGUE tables of school performance in England, published today by the education department, show a sharp rise in exam successes, compared to last year when results were first published.

In 1992, 38.1 per cent of the 15-16 year-olds in England gained five GCSE passes at grades A to C, the equivalent of the old O-level pass. This year, the figure has risen to 41.1 per cent - an 8 per cent

But analysis using government statistics on extra educational needs reveals a strong link between inner-city deprivation and under-performance. Using environment department figures which rank authorities according to the proportion of children whose parents are benefit claimants and other related statistics, the Isles of Scilly, top authority for GCSE performance, is also, according to the table, the

east deprived in the country. The London boroughs of Hackney, Newham, Lambeth, Islington, Tower Hamlets and Southwark are in the top ten both for underperformance at GCSE and for deprivation. Only one of the authorities in the bottom ten for GCSE results last year managed to escape it this year.

Out-performance by girls' schools was marked. In mixed schools, 35 per cent of pupils

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SCHOOLS can shoot to the top of the league tables if some at the education department

makes a typing error. Yesterday, Chapel-en-le-Frith School in Stockport, enjoyed a fleeting moment of

According to the govern-ment's league tables, it only had one pupil in the sixth form, but he or she was the new Einstein - that one candidate had amassed 54 A-level points, equivalent to four grade As, one B and one C. But the school's headmaster

was able to point out an even better story - that the school did not have a sixth form. Education department officials said external contractors had made a computer error.

gained five or more GCSEs at grades A to C, a target attained in single-sex schools, a far higher proportion of which are selective, by 48 per cent of boys and 55 per cent of girls. Inde-pendent schools fared well, with 142 appearing in the top 200 on GCSE performance.

This year's exercise was more ambitious than last year, with figures published on vocational qualifications for the first time. These revealed that less than ten per cent of the 5,200 schools in England and Wales offered the qualifications, although some schools make them compulsory for all 15-year-olds.

Construction investment

By Andrew Taylor, Construction Corresponder

THE LOW LEVEL of British investment in new construction compared with the country's main European rivals was "truly alarming", Sir Brian Hill, president of the Building Employers Confederation, said yesterday.

He appealed to ministers not to cut public spending on con-struction in the Budget, saying that this would only worsen the competitive position of the country's construction

Sir Brian, speaking at a conference in London, said that Britain accounted for only 10 per cent of all European construction output while Germany accounted for 23 per

Germany Italy France United Kingdom Spain Rest (10 small countries)

cent, France 15 per cent and overcome these difficulties in a Italy 16 per cent. Mr John Gummer, environment secretary, speaking at the UK industry that no reasonable chancellor could ignore the country's "over-borrowing". He said: "It is not pos-

sible to imagine one could

way in which anyone could expect to get out of it scot-free. He appealed to the industry

to boost its profitability by improving the quality of its performance and by reducing waste to make it more competi-

country's ability to compete both in European and world markets. Sir Brian warned that any further erosion of the domestic construction market due to public spending cuts would cause further job losses and

company failures.

400m tonnes of material used

each year by the industry,

that UK spending on construc-

tion in proportion to the popu-

lation was lower than that of

Switzerland, Germany, France,

Italy, Spain, the Netherlands,

He said: "Failure to invest in

new buildings and the nation's

infrastructure must in due

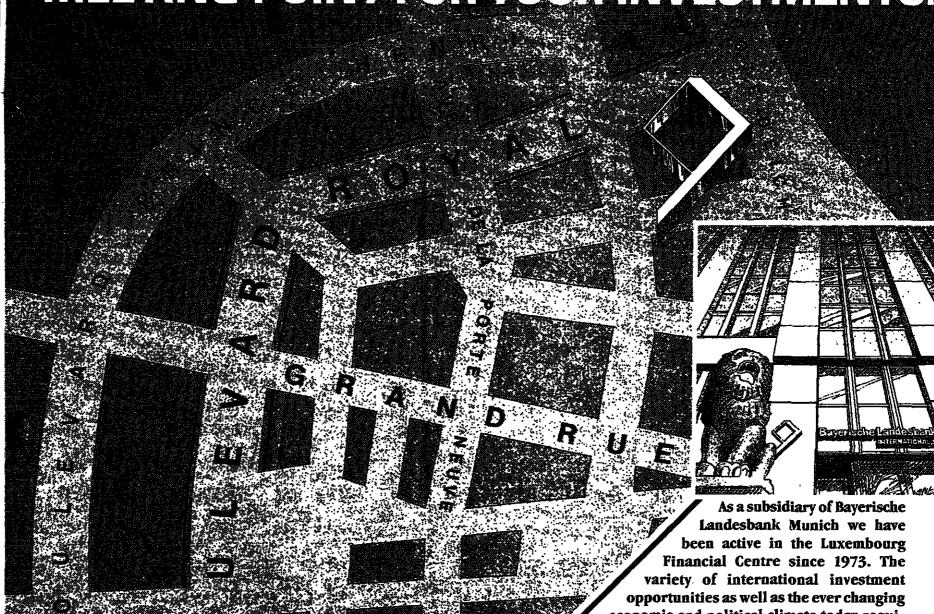
course impede or handicap the

Sweden, Norway and Austria

Sir Brian told the minister

about a tenth was wasted.

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Political Correspondent

MR JOHN SMITH, the opposition Labour party leader, yesterday laid the foundations of a closer relationship with Britain's employers in a warmly received speech which stressed his commitment to

manufacturing industry. Mr Smith, the first Labour leader to address the Confederation of British Industry, the

'in breach'

on dealers

ROVER, the motor vehicles subsidiary of British Aero-

space, committed "a serious

breach" of European competi-

tion regulations by limiting its dealers' ability to offer dis-

counts. the European Commis-

Rover made arrangements with its UK dealers that

sought to limit the level of discounts offered by the dealers

on its Rover 200, 400 and 800

car ranges and on sales of

of Treaty of Rome competition

rules, were in place between

about May 1986 and October

In a statement yesterday.

the Commission said the

dealer agreements had been

terminated when they came to the notice of Rover's senior

management. The UK car-

maker had voluntarily notified

the Office of Fair Trading and

subsequently the Commission.

had had little commercial

effect, but it had taken several

It has agreed to implement

an anti-trust compliance pro-

gramme within the company,

has made a full and voluntary

disclosure of the arrangements

and has agreed to reimburse

dealers for any discounts with-

It has also written to its

dealers stating that it "will

not and cannot legally" dis-

criminate against any dealer

prices or has discounted them

beyond any particular level."

Rover also said yesterday it is donating £1m to fund two

consumer projects, to create a

database for disabled car buyers, and to conduct a threeyear survey of customer needs

Individual customers can

still claim compensation

against Rover or any Rover

dealer, however, and it is still

open to UK competition

authorities to take legal

action. The Commission has

decided not to take legal

because of the voluntary steps

taken by the company.

action against Rover, however,

held from them.

steps to remedy the position.

Rover said that it believed

sion said yesterday.

Land Rover products. The arrangements, in breach

Rover

of rules

By Kevin Done,

employers' organisation, delivered a speech designed to convince business leaders that they have nothing to fear from a Labour government.

a sustained ovation, which observers contrasted with the more restrained applause given to Conservative cabinet ministers on Monday.

"The message that came across was that he is passionately committed to manufac-

turing industry," one delegate

Mr David Hunt, the employment secretary, tried to undermine the impact of the speech CBI members gave Mr Smith by drawing attention to the omission of any reference to the party's commitment to a 35-hour, four-day working week. Mr Hunt said Mr Smith failed to request an opt-out from the European socialist group manifesto, which con-

However, delegates also responded warmly to Mr Smith's stress on Labour's commitment to improvements in training, education and the potential for partnerships between government depart-

ments and business. Mr Smith sought to exploit divisions between some business leaders and the government by endorsing criticism of the Tories "negative approach" to Europe expressed by Mr

tor-general "It is ironic that those who promised to put Britain at the heart of Europe have caused us to be marginalised in crucial areas of decision making," he said.

Mr Smith warned delegates that British business would have to live with the social chapter of the European Union's Maastricht treaty, in spite of the government's decision to opt out. Polices deter-

mined by the 11 other countries in the EU "almost inexorably will come to be applied, not just to British companies operating in Europe, but to all companies operating in

Mr Smith's main aim was to draw a sharp contrast between Labour's support for manufacturing and the low level of investment in industry since the Conservatives came to

Bribery case against Nadir to be dropped

Britain in brief

The Crown Prosecution Service said that it had decided not to bring a case against Mr Asil Nadir, the fugitive businessman, in con-nection with allegations that he had attempted to bribe a senior judge. It said in a statement that it

had concluded that there was "no credible evidence" to sup-port suggestions that Mr Nadir had attempted to pay £3.5m to Mr Justice Tucker, who was scheduled to hear his fraud Meanwhile the trustee in

bankruptcy to Mr Nadir is considering using a court order against senior police officials who he says have failed to co-operate in his efforts to

Mr Neil Cooper, a partner with accountants Robson Rhodes, said that he was considering using his powers under insolvency law to force the police to answer his ques-

CBI, Tories in Europe accord

There are no differences between the government and the Confederation of British Industry on Europe, CBI director-general Mr Howard Davies said yesterday. At the same time, he renewed his calls to the European Commission not to destroy jobs through exces-

sive regulation. Mr Davies told the CBI that early coverage had focused on supposed conflicts over Europe. "But there is in fact no substantial point at issue between the CBI and the British government on current policies towards the European Community in general, or economic and monetary union in

PSBR figure

Another big rise in government borrowing last month left public sector finances heading for their biggest annual shortfall on record, official figures revealed.

The government borrowed 52.7hn in October, taking the public sector deficit since the beginning of the financial year to £26.9bn, compared with only £20bn over the same period last year.

The latest figure, slightly higher than consensus fore-casts, suggests that the public sector borrowing requirement for 1993-94 will be lower than the last Treasury forecast of 250hn, but only marginally.

'Core' pits may close

British Coal accelerated its pit reduction programme as it announced it wants talks with unions about Littleton, Staffordshire, the first of the so-called 19 "core pits" to be threatened with closure.

The naming yesterday of Littleton together with Silverdale, also in Staffordshire, takes to six the number of pits British Coal has identified in three weeks as candidates for closure or significant contraction. Brit-ish Coal operates 30 pits in all but is producing far more coal

Plea for open bids for lottery

The National Lottery Company appealed for the bidding for the National Lottery to be

The group which has been campeigning for a non-profit naking lottery said yesterday: "Each process of our National Lottery from hidding to selec-tion, to operating should be completely transperent so as to inspire public confidence.

Mr Peter Bavis, director general of the National Lottery is insisting on confidentiality and that no details of applications will be published other than the names and addresse

Connermas

Christmas Tree growers are strugging to meet demand, the British Christmas Tree Growcration estimated demand at about Sm that year, but said that meant that some trees may not be of a high standard.

The association said about im trees would be imported this year, mainly from Den-mark and Belgium, which was slightly down on the number imported lest year.

Britain's most famous Christmas tree, an annual present from Norway, will be lit up on December 9 in Trafalgar Symme, London.



THE first group of Chinese trainee airline pilots to go abroad has arrived at Oxford Air Training School, following September's announcement that the Chinese Civil Aviation Authority had awarded its first overseas civilian cadet training contract to the school. The pilots will be on a 56-week course which costs 255,000 per pupil

How UK food taxation ended up in tiers

THE UK subsidiary of Nestle, the world's largest food manufacturer, made an embarrassing discovery this week. It found it was lobbying the UK Treasury to adopt two, directly contradictory, policies in this month's

With one hand, Nestlé was that the restrictive practices supporting industry efforts to ward off any increase in value-added tax on the roughly 80 per cent of food products which are zero-rated. With the other, it was backing a campaign - from which it has now withdrawn - to abolish zerorating on everything except fresh food. How Nestlé got into this muddle is unclear. But it is not alone in its confusion over Britain's labyrinthine system of taxing food and drink. the complexities of which have split the industry - and many that "has discounted list companies - down the middle.

Most types of food are classi-

fied as necessities and carry a

Guy de Jonquières on pre-Budget lobbying, and muddle, over the application of Value Added Tax zero rate of VAT. All other food and drink products carry

VAT at the standard 17.5 per cent rate. The two categories are a hangover from purchase tax which discriminated against "luxury" products. Food manufacturers com-

plain that two-tier VAT is arbitrary and riddled with anomalies. For instance, gingerbread men dipped in chocolate carry VAT at 17.5 per cent, while gingerbread women dipped in caramel are zero-rated. Rapid product innovation has aggravated the discrepancies. Manufacturers say inequities

distort the market and have been made even worse by the rise in the standard VAT rate from 8 per cent to 17.5 per cent in the past 20 years. Periodic efforts by Customs & Excise to tinker with the system - usually by challenging products' zero-rated status - have stirred up legal and political opposition or failed completely.

But while many food manufacturers believe the system is absurd, they cannot agree on what should replace it. Most dare not press too hard for reform, for fear it would involve ending zero-rating.

This view has shaped pre-Budget lobbying by the Food and Drink Federation, the umbrella organisation grouping all the main industry associations. The federation has told the treasury that the end of zero-rating would lead to higher inflation, job losses and lower industry profits.

Companies backing the campaign include Cadbury, Mars and - until this week ~ Nestlé. Although their proposals suit But although this stance has Rowntree, Nestlé's confectionbeen broadly supported by the ery subsidiary, many of the

as instant coffee, yogurts and frozen food would be penalised. Similar conflicts of interest beset other industry associaindustry, it has been criticised by some manufacturers of One option which would unite

the industry would be to zerorate all food. However, as well as costing the treasury revenue, that would require a special exemption from European Union rules, which Brussels would be reluctant to grant. Under European rules, Britain could charge as little as 5 per cent VAT on food. How-

ever, such a reduction would also leave the treasury short of revenue unless the rate was extended to zero-rated products. However, any extension of VAT, would be deeply unpopular politically. Given the unpalatable alternatives, the betting must be that the present system, for all its faults, will survive the Budget

on track

Shadow negotiations' offered to rail service franchisees

products such as snacks, con-

fectionery, soft drinks and ice

cream, on which VAT is

Several confectionery manu-

facturers belonging to the Bis-

cuit, Cake, Chocolate and Con-

fectionery Alliance have

broken ranks and launched a

campaign to have VAT

extended to all processed foods

at 8 per cent. That, they argue,

would end fiscal discrimination

without reducing the £1.6bn

the exchequer receives annu-

ally from VAT on food.

charged at 17.5 per cent.

By Charles Batchelor, Transport Correspondent

POTENTIAL bidders for privatised British Rail routes will be invited to take part in "shadow negotiations" with the Office of Passenger Rail Franchising early next year.

The office has been set up by the government to handle the franchising of BR's routes and to mon-

The purpose of the negotiations is to explain to the bidding teams how the franchising system works and to allow the franchising office to refine its own proposals, Mr Roger Salmon, franchising director, said vesterday. One of the central aims of the

franchising office is to establish agreements which provide commercial incentives for companies

involved in the new system and minimise legal disputes. Franchisees will be paid according

to the quality and reliability of the service while Railtrack, the company which will own the track and signalling, will be able to charge more for providing a high quality of service to the operator. The aim is to encourage the two sides to resolve difficulties rather than apportion blame.

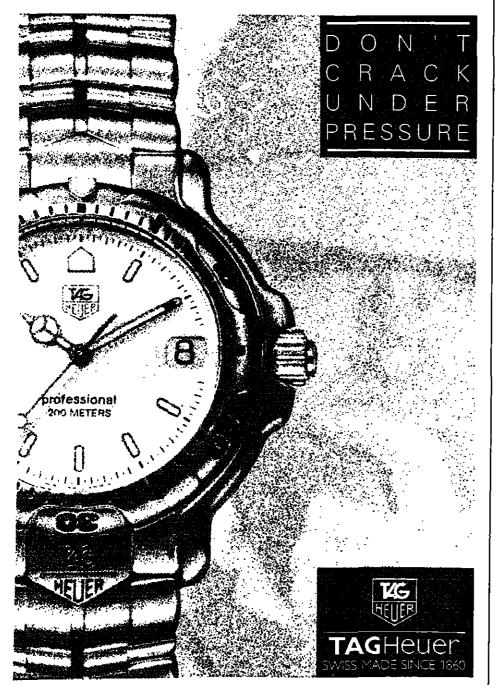
Mr Salmon, a former corporate financier with NM Rothschild, the merchant bank, is to spend the next few weeks explaining the details of the franchising system at a series of conferences and presentations. "There is a lot of the detail which is important," he said. "Only when we get that into the public domain will the big players sit up and get

Once the franchising office has determined the details of the franchise system, invitations to tender are expected to go out in October 1994 and the first private operators. will take over in the spring of 1995. About 50 private companies and 30 teams of British Rail managers have expressed an interest.

The capital needed to take over

rail operations is not large because

equipment will be leased or rented. But bidders will be required to provide bonds to re-imburse season ticket holders in the event of the company folding and, probably, guarantees to the franchising office of "good behaviour." But because much of the rail operators' revenue will be paid in advance by season ticket holders they will require no. or very little, working capital.





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xford in England and Freiburg in Germany have much in common Both are important university cities with some industry attached. Both have a unique heritage of architecture and culture and in both places the environment poses big issues, particularly where traffic is concerned.

But there, the similarities end Walk through Freiburg's historic city centre and there is not a car in sight. The entire old city has been pedestrianised. Access is allowed only to trams which glide noise-lessly down the cobbled streets and to bicycles. The place is orderly and unblemished, almost like Disney-

Walk down Oxford High Street and the place is a maybem of buses. exhaust and noise. Vehicles and pedestrians jostle at the crossings; the place throbs with life.

Why is it so different? The answers provide a revealing object lesson not just about well-known features of the British and German character, but also the very different ways they organise their com-

By coincidence, Freiburg and Oxford both started to address their traffic problems seriously in the same year, 1973. That was when freiburg pedestrianised the first section of the old city and Oxford launched a park and ride scheme to launched a park-and-ride scheme to reduce city centre traffic.

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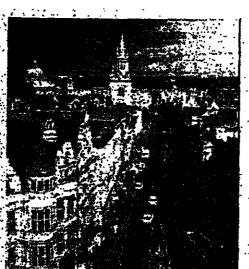
Freiburg, in south-west Germany, was fortunate to have space along-side the old city wall to build an inner ring road, making pedestriani-sation much easier. Oxford did not, and its attempt to create one across Christ Church Meadow sparked a national controversy.

Freiburg voted in a "green" city council which took aggressive steps to deal with traffic. The objective was to remove all cars and lorries from the centre. This was complemented by heavy investment in the public transportation system and in a network of bicycle lanes. Today, few Freiburgers live more than a few minutes' walk from a bus or a tram stop and there are more than 400km of bicycle lanes, many of

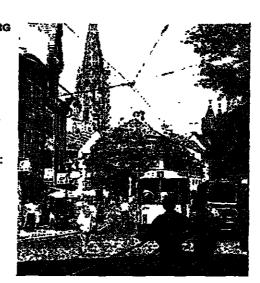
them away from the road. The driving force behind Freiburg's traffic plan is Peter Heller, a youthful deputy mayor who carries the title of environmental mayor. For him, the battle against the car is not merely a transport issue, but part of a wider environmental campaign for more sensible use of resources. He is trying to encourage new housing developments which do away with the need for transport everything would be to hand.

Oxford, by contrast, has been unable to pedestrianise the city cen-tre for a number of reasons, partly political. The highway authority for the city is the county council which has been deadlocked between ToryDavid Lascelles visits Freiburg and Oxford which have both adopted different solutions to the problems of heavy traffic

Driving force behind tale of two cities



. Pepulation 2300,000 DM30m Subsidy for public transport* (£12m) 40% Car ownership 53% Proportion of people-journeys made by: 47%: Motor vehicles 47% Public transport 26% Bicycle



led, out-of-town opponents of traffic schemes and supporters of the Labour-led city council's desire to banish the car. But there were also practical problems. There was no inner ring road, so closing the city centre would only push traffic into suburban residential streets.

Most of Oxford's effort, therefore, has gone into the park-and-ride ne which is already the largest

Oxford High Street is a mayhem of buses, exhaust and noise. The city throbs with life

in the country and will be expanded to a capacity of more than 3,600 cars by the end of this year.

Although people grumble about it use of the scheme is growing by 10 per cent a year, which has made a noticeable impact on car numbers. The level of traffic in Oxford has remained almost constant for 15

Some effort has been put into bicycle lanes as well and recently the city launched an experimental electric bus service in co-operation with Southern Electricity, the local

However, the political balance on the county council shifted in the last elections. The anti-city component was weakened, leaving the city council in a stronger position to tackle the traffic problem in a more fundamental way. The county com-missioned a study from Colin Buchanan, the leading traffic consultant, and this now forms the basis of a £17m-£18m plan to ease congestion over a period of five years.

The plan will involve investing more in public transport and bicycle lanes, reducing city-centre parking spaces by up to 10 per cent, closing the high street and making a variety of environmental improve-

The plan won support from 70 per cent of the people of Oxford in a recent survey. But it needs government approval for the spending and that is far from certain.

As this tale of two cities shows,

the points of contrast are stark. First, Freiburg managed to achieve the political consensus to take action much more quickly than Oxford. Although Freiburg city council is evenly divided between three parties, the right-wing CDU, they support a common objective in

Oxford was hobbled not just by inter-party rivalry but also by citycounty conflict, although that may now be changing. Eva Barnes, Labour environment spokesperson on the county council, says: "It's been a travesty for a heritage city. But I think there's support from all four parties to pursue most of these man of the city's highways and traffic committee, agrees. "There's been a sea change in attitudes right across the parties," he says.

Nor did Oxford have someone in

Heller's position to push through an environmental master plan, though it does now have a city centre manager, Martin Wright, on a two-year secondment from Marks and Spencer. When Oxford applied to Whitehall for the traffic scheme grant it prepared the required cost and benefit analysis. But for the first time, this measured the benefits in terms of the non-car user rather than the motorist. For once, a traffic scheme was intended to benefit the pedestrian, the tourist and the atmo-

Second, Freiburg had the money to finance the heavy investment in

to replace the car. This year, the city will pour a subsidy of DM30m (£12m) into transport. It can afford to do this because it owns the local gas and electricity utilities from whom it creams off profits for crosssubsidisation. Thus Freiburgers pay more than necessary for their home heating in order to have a good

Walk through Freiburg's centre and there is not a car in sight. It is orderly and unblemished

tram service (which has the addi-

tional beneficial effect of encourag-

ing them to heat their homes more

efficiently). Oxford will this year spend a mere £300,000 to subsidise city transport. And its ability to finance the Buchanan plan in full depends largely on central government approval because it has few other sources of funds. On the other hand, the bus services on the parkand-ride scheme are close to making a profit, although the more suc-cessful they become, the more the the socialist SPO and the Greens, public transport which is essential council loses city centre parking

revenue, one of its few extra

sources of income.
Third, Freiburg owns the public transport system in the region and can therefore make it do exactly what it wants. In Oxford, the bus system was privatised in 1986. This initially led to a chaotic growth in bus numbers. It has now settled down, but the various bus compa-nies are reluctant to co-operate. In Freiburg, people can buy a single, heavily subsidised "green" ticket which entitles them to use the whole regional transportation system. In Oxford there is no crossticketing and, according to city officials, unlikely to be in the foresceable future. All this suggests that Freiburg is

much better organised than Oxford, which it evidently is. But is there more to it than meets the eve? Interestingly, the traffic profiles of the two cities are not as different as might be expected. In both, the proportion of people-journeys made by motor vehicles is exactly the same: 47 per cent. And in Oxford, public transport's share is much

higher than Freiburg's (40 per cent versus 26 per cent). Oxford only falls behind with the bicycle (12 per cent versus 27 per cent). One reason why Oxford does well is that it has a relatively low level of car owner-

ship. Ernst von Weizsäcker, an environmental specialist at the Wuppertal Institute for Climate, Environ-ment and Energy, also says Freiburg's high standards are being achieved to some extent at the expense of the surrounding region; traffic is being pushed elsewhere and the city's high costs are burdening the poorer rural communities nearby. "They are cherry-picking," he says. Oxford, by contrast, might be said to have paid the price for leaving the centre accessible to motorists from outside the city.

Nor is there much awareness among the people of Freiburg about the level of cross-subsidisation. "Most of them don't even know about it," says Uli Hohmann, the editor of the local public radio. However, he doubts that there would be opposition to the arrangement, even if it was more widely debated. Freiburgers would support an even tougher environmental policy, for example in energy effi-

ciency, he says.

However, it is clear that Freiburg's standards depend on a level of co-operation that would be inconceivable in the UK: between political parties, between council and utilities, and within the transportation system. Oxford might achieve greater political coherence if it became a unitary authority under proposed local government reforms. But the privatisation of bus and utility services means it will never have control of key municipal levers like Freiburg.

Spotlight on UK plants

iodiversity is one of the B great rallying cries of the green movement. Everyone feels intuitively that it is important to preserve as many types of plant and animal as possible – but there has been little direct evidence so far to

would harm the environment. Now, however, ecologists at Imperial College's Centre for Population Biology at Silwood Park, Berkshire, are beginning to fill the experimental gap.

John Lawton, director of the centre, says it is already clear that the variety of species in a biological community has a big impact on the way it functions. "We can no longer ignore serious threats to key ecological processes, posed by the loss of biodiversity."

The work is taking place in the Ecotron, a £1m research laboratory containing 16 separate climate-controlled chambers. Each is a two-metre cube with its own community, set up to model British grassland. There are wild plants (varying from two to 16 species per chamber), insects and soil organisms. "What we did was mimic the

loss of species currently being caused by human impacts on ecosystems, but under controlled conditions," Lawton says. Preliminary results show that biodiversity has a big impact on plant growth. absorption of carbon dioxide, soil chemistry, water cycle and microclimate. The Ecotron - funded by the

Natural Environment Research Council with a £250,000 annual grant - provides climate control over light, temperature, humidity and rainfall. It enables scientists to mimic ecosystems while carrying out controlled experiments that would be impractical in field studies.

Although it is far smaller than the Biosphere II in Arizona, the Ecotron is a more powerful research tool because its separate chambers allow experiments to be replicated and the results verified by statistical analysis.

Clive Cookson

PEOPLE

Lankester replaces Holland at education

Sir Geoffrey Holland, of Exeter university, which he up to take over the manage-permanent secretary at the will start next April, means he ment of British Rail's track will no longer need to be so and signalling on privatisation, announced that he is to leave the job only ten months after moving to the department.

The department is currently in the throes of a review by the consultants Coopers & Lybrand, aimed, according to Whitehall sources, at "rooting out the left-wing educational establishment", from the department. Right-wing thinktanks believe the department deliberately sabotaged the government's national curriculum

However, Sir Geoffrey's move seems more to save commuting time than to escape hot water. He has lived for the last six years in West Cornwall and commuted weekly to London. His new job, as vice-chancellor Railtrack, the company set

familiar with Paddington sta-

sir Geoffrey is still only 53, and moved to the education department after five years as permanent secretary at employment. His successor at education,

Tim Lankester, perhaps signifi-cantly, is also being drafted from outside the department. Lankester is a former banker and economist who started his civil service career in the treasury, followed by a stint working as Margaret Thatcher's pri-vate secretary. Aged 51, his current post is second permanent secretary at the Overseas Development Administration.

made four new board appointments yesterday.

Beverly Anderson, chief executive of the Book Trust; Sir Christopher Foster, a director of accountants Coopers & Lybrand and adviser to the government on railway privati-sation; Christopher Jonas, senior partner of chartered surveyors, Drivers Jonas; and Derek Roberts, provost of University College London following 35 years in the electrical engineering industry, join Robert Horton, former chairman and chief executive of British man of Railtrack in February. Railtrack takes over formal responsibility for BR's infra-

Maitland steers private course

Angus Maitland, vice chairman of Burson-Marsteller, one of the world's largest public relations consultancies, is leaving at the end of the year to set up his own business.

Maitland has managed to strike an agreement with his erstwhile employer, allowing him to take along a number of B-M clients.

Maitland, 47, who will have

been at B-M three years and was the first non-American on its main board, says he has had enough of the meetings and other restrictions a big

organisation imposes.
Instead, Maitland wants to devote himself full-time to what he calls "high-level stra-

tegic consultancy".

A graduate of Glasgow University, who kicked off his career as an economic analyst in industry, Maitland joined Charles Barker in the early 1970s where he met Reg Valin. When Valin and Richard Pol-len formed Valin Pollen,

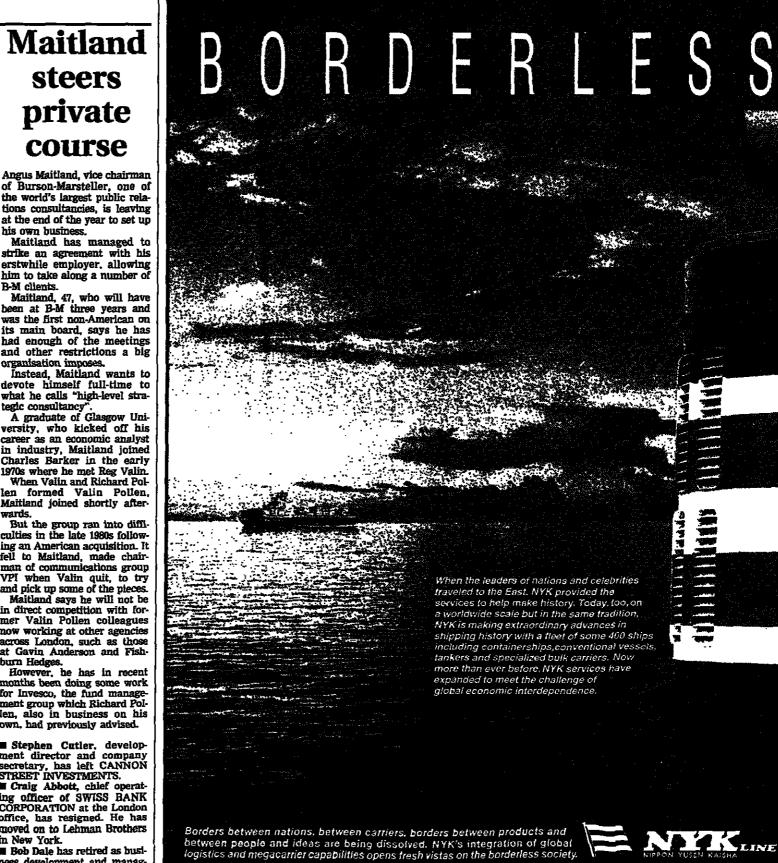
wards. But the group ran into diffi-culties in the late 1980s following an American acquisition. It fell to Maitland, made chairman of communications group VPI when Valin quit, to try and pick up some of the pieces.

Maitland says he will not be in direct competition with for-mer Valin Pollen colleagues now working at other agencies across London, such as those at Gavin Anderson and Fishburn Hedges. However, he has in recent

months been doing some work for Invesco, the fund managent group which Richard Pollen, also in business on his own, had previously advised. ■ Stephen Cutler, develop-

ment director and company secretary, has left CANNON STREET INVESTMENTS. ■ Craig Abbott, chief operating officer of SWISS BANK CORPORATION at the London office, has resigned. He has moved on to Lehman Brothers

in New York. ■ Bob Dale has retired as business development and managing director automotive at



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Royal Scotland and Natwest bankers move on

The Royal Bank of Scotland, currently engaged in its "proj-ect Columbus" – a task force which is investigating a broad range of issues connected with its future delivery services -



lain Houston, above, has moved up to become director of marketing and structured finance in the group's corporate and institutional banking

division.

Houston, 44, has previously worked for the Sedgwick Group and Johnson Matthey in treasury roles, before becoming in 1988 director of marketing at Charterhouse bank - a joint initiative between Royal Bank of Scotland and Charterhouse - at the bank's capital markets division. In 1992 he became group marketing direc-

In a separate division of the Royal Bank of Scotland, which currently has some 24,000 staff, Keith Hodkinson, 46, right, has been appointed head of com-mercial banking services. responsible for the bank's com-

mercial strategy.

Hodkinson is a long-serving member of the bank, having joined the former williams Deacons bank, based in Manchester, in 1965. His previous posts with the

bank include manager of international credit control, senior manager in charge of business in Africa, the Middle East and the Indian sub-continent and, prior to his new appointment, as chief manager of international banking services.

John Greenacre has been

treasury, by NatWest Investment Services, one of the leading global custodians. Prior to his new post, Greenacre had been with NatWest markets New York and Chicago.



based in NatWest Markets' London treasury department. advising corporate clients on foreign exchange.

hammer, an owl, a loaf of bread, a kmife, a sheep or a power drill? bread a knife. Are you an ice-berg, a vine, a train or an egg?

Let your mind free-associate and come up with some images. Invite your friends and colleagues to do the same for you – maybe they see you as a kitchen blender, as Robin Hood or as an ant.

Welcome to "imaginization" as conceived by Gareth Morgan, an up-and-coming management guru. Morgan is the hippy of the management world. He is for creativity and against strategic planning and bureaucracy of any sort. He has coined this six-syllable word to describe a process which he believes is the future of all management thinking. and the key to changing the behaviour of both the individual and the organisation.

Morgan has just come to Britain from Canada to promote his new book, Imaginiza-tion*, and to explain to the British Academy of Management how it works. According to the book's jacket, imaginization is a new way of thinking. It is a new way of organising. It is a key managerial skill. It provides a way of helping people understand and develop their creative potential. It offers a means of finding innovative solutions to difficult

Lucy Kellaway meets an aspiring management guru with a 'creative' way of challenging accepted theories

Are you a vine, an egg or a train?

mental models and creating dialogue," he tells me. I start to look sceptical, but get put in my place. "Cynicism." he says, "is dismissive and locks in. If you tap into the negative side too early, you don't get a chance to see the positive in it." I try to tap in to some imaginization and play with by hedgehog, all I mean is prickly, then why not say prickly directly? Surely the image just confuses matters?

n the contrary, he says images allow us to look at things in a creative way. He suggests that whereas it would not be possible to tell your boss he is prickly, in the context of "this crazy game" you might be able to get the same message across by describing him as a bedgehog.

In any case, most images are more complicated and therefore more telling than that of a kitchen blender, they may regard you as powerful, but with a tendency to turn everything into a single ingredient. It could jolt you into changing your ways, if you know that that is how they see you. Most management ideas are

hard to get a firm hold on, but Morgan's are more than most because they are not prescrip-tive - they contain no solutions. Instead, they are about a new way of looking at things. "We are sold the notion that management is a set of rules. we get locked in," he says. Is his new approach a bit like lateral thinking? He shakes his head: "Lateral thinking is connected to a technique. My approach is less structured. I don't ever describe the technique, but illustrate it."

He gives an example of a manager whose problems at work were resolved simply by changing the way she looked at her job. When Morgan first she was making at work, she was getting nowhere. He showed her a cartoon of a jockey in the Grand National standing in front of a fence and trying to pull the horse over it

ing something large, bit by bit. "This manager overnight was able to develop a new way of doing things. She realised she was blocking herself. She was able to see that she had been trying to pull horses over the fence, when what she should have been doing was putting her energy where she

by the reins. He showed her

another of a termite, eating

away at something, and build-

could make a difference." Morgan's ideas are equally applicable to whole organisations dealing with change. Managers and workers need only to sit down together and start trying to look at themselves, their relationships and their tasks in a fresh way. "You've got to find a way of creating new space. The idea is decouple from where you are

Morgan is critical of most attempts at bringing about change within organisations, which have replaced one set of rigidities with another. He argues that companies may have abandoned layers of managers, but they have not managed to get rid of their bureaucratic structure. "Re-engineering!" - he pronounces the name of the latest management panacea dismis-

vears those very companies will need to break free again." One helpful image for a new shape of organisation is that of the spider plant. This has a parent plant and a lot of babies joined to it by umbilical cords. Morgan says he is using this model with the education authorities in Canada, which

sively. "It is locking the world

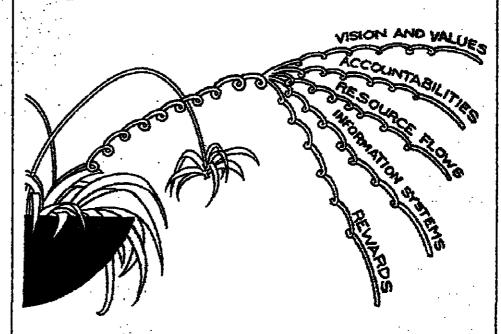
into a new era. In two or three

are looking at ways of passing more autonomy to the schools. "The spider plant creates

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According to the imaginization process, the spider plant creates organic growth in a local emixor

ronment," he says. "It is a crazy image, but is powerful. We started with the plant, and then as we talked and explored the image, we introduced the idea of electronic umbilical cords, and of bumble bees who would be managers roving from school to school identify-

ing common problems. Morgan talks constantly about the need to "flip into a new frame". He is not talking about the slow grind of chang-ing habits. Indeed, he talks of what sounds like miracle conversions to a new mind set, with the result that work patterns are changed overnight. In Morgan's permissive

world, everything goes except inflexible ways of doing things. Morgan knows something about those, having spent his formative youth as an accountant. He then went to the opposite extreme and became obsessed with behavioural science. He left accountancy and now, as an academic, a writer and a consultant, has

explain why traditional systems run into problems". Perhaps that makes him a homeopathic doctor an impressionist artist or a gardener sowing seeds of imagini-

*Available from Suge Publica-tions, 6 Bonhill Street, London EC2A 4PU. £19.95. Tel. 071 374

Previous articles in the creatioity series have appeared on October 4 and 15.

But what actually is it? "Imahedgehog. For instance, if your met this manager, she felt that to create the opportunity to ginization is about challenging colleagues think you are a despite the superhuman efforts Millions choose JVC. JVC has chosen France Telecom. France Telecom brings the world closer to your business. No company is more meticulous in the selection of its business partners than JVC. Hardly surprising then, that they selected. after fierce competition. France Telecom for its telecommunications needs. The task? To connect JVC's French, German and British sales and manufacturing sites with its Tokyo headquarters and all its national sites. FULL AUTO CINEMA AGE They knew they could rely on France Telecom's expertise in customized solutions and draw on its experience of international private networking. Working closely together JVC and France Telecom teams selected PROGR/ the equipment best-suited to JVC's needs. France Telecorn also provided housing and maintenance for both on its own premises. **FADER** The Customer Support Centre provides a single point of contact and co-ordinates with Tokyo's Management Centre so that the system is monitored 24 hours a day, 7 days a week. This partnership with JVC shows how France Telecom's service can extend around the world, around the clock. For more information: Brussels: 32-2 923 99 11 London: 44-71 379 47 47 Frankfurt: 49-69 961 29 20 Madrid: 34-1 577 93 64

SELF-TIMER SHUTTER

Take care when rewarding the high-flyers

Performance-related pay has been adopted enthusiastically by the CAA, writes Lisa Wood

erformance-related pay is not for everyone, as Britain's Civil Aviation Authority demonstrated last

In negotiations over its new pay scheme the CAA, a government body that regulates air traffic, said the priority for 3,000 well-paid employees such as air traffic controllers and aircraft inspectors was to follow set procedures and routing rather than showing their individual mettle.

"The prime concern is safety and we therefore did not want to encourage people to behave exceptionally," says Terry remuneration and staff

relations at the CAA. "Rather, we want a performance-related pay scheme (PRP) in areas where we could reasonably acknowledge better than expected performance." But Moseley warns: "A PRP scheme is not a substitute for managers encouraging and motivating their staff. It is

a reinforcement agent." The CAA is an enthusiast for PRP – along with others which include John Lewis Partnership, the retailer, and ICL, the computer company. A hallmark of all of them is that they have integrated their PRP into well-developed schemes which involve regular assessments of employees work and offer the means to

improve performance. Vicky Wright, director of Hay Management Consultants. says: "Just offering PRP in itself is generally not good enough. Employers have to define what a job is, communicate that to the employee and devise proce which enable people to improve their performance and then design a PRP system which reflects that."

The CAA's current scheme introduced after protracted and robust negotiations with the CPSA, NUCPS and IPMS civil service unions, replaced an existing Civil Service PRP scheme. Moseley says it was scheme. moseley says it was a "dreadful mechanistic system" which, for example, allowed a standard performer who got three annual 'satisfactories" at the annual

appraisal an automatic bonus: The performance related pay review in the new scheme is separated from the annual appraisal by around six months so that a discussion of strengths and weaknesses can take place when pay is not directly an issue. While PRP is influenced by the annual appraisal, it is not determined by it.

Moseley says that since the old scheme was linked directly to the annual appraisal it distracted people from properly discussing their

Negotiations with the unions over abandoning the old PRP system in 1990-91 were lengthy and a new deal was won only after it was agreed to lift the company's pay

scales by 17 per cent over two

could be substantially modified in the next few years when the CAA moves towards devolved pay bargaining incorporates some 2,500 junior and middle management and cierical and administrative

A further 1,200 engineers were to have been included this year, but they are covered by two pay scales and making could not be accommodated within the government's 1.5 per cent pay celling.

There are three components An annual negotiated increase for everybody. Movement through the nav scales. The pay structure consists of salary bands with only two fixed points, a start rate and a job rate. The start rates for bands one to four, which cover junior and clerical staff, is 90 per cent of the job rate and for bands five to 12, which covers middle managers, is 85 per cent of the job rate. Movement through salary bands is determined by performance

• In addition, performance-related. non-consolidated lump sum bonuses, not normally exceeding 5 per cent of the individual's job rate, may be awarded to those whose overall performance is much better than the standard performance level.

Moseley says it is not easy to define precisely what managers are looking for. "It is an assessment by a manager. We have issued guidelines that we believe should be used and then left it to the managers." In its first year the scheme

is "generally satisfactory" he says, with 890 out of the 2,580 eligible for merit awards receiving either a lump sam or a faster progression through the pay scale for their efforts during 1992. The average award was 2330.

The size of the pot, he says, is important. "If the budget were too large the managers would not have to think sohard about who receives awards: the largesse could be spread wider and thicker and the concept of what constitutes better than expected performance would be diminished, he says. At

present the amount available is I per cent of the salary bill. Moseley says: "We do not expect an award to change a person's standard of living cause, after all, it is a bo and may not be repeated. For those who do not receive bonuses we do not want awards to be of such

magnitude that they become disgruntled. "We defeat the object of the scheme if rivalry is engendered because we rely heavily on teamwork and co-operation to be effective

A previous article on PRP appeared on November 3.

till they come, the new series for till they come, the new series for the autumn season; not just fresh series of old titles, but genuinely new series: Wild Palms, The Great Depression, The Talking Show, Blood And Belonging and If You See God, Tell Him. Remembering the long doldrums of the summer, does this really seem like a sensible arrangement? really seem like a sensible arrangement?
The broadcasters tell us that they save all their best (well, newest and most expentheir best (well, newest and most expensive) series for the autumn and winter because we watch so much less in the summer. But what do they expect if they save up all the rubbish and show it in the

save up all the rubbish and show it in the summer of course we watch less.

Wild Paims which began on BBC2 on Monday, comes to us described as "a second Twin Peaks" which will seem ominous to anybody who found the David Lynch series too long and in the end too clever by half Furthermore having seen clever by half. Furthermore, having seen Wild Palms do rather badly in the US, its producers - who include Oliver Stone are looking to the British to give it at least a succès d'estime. This is becoming some-thing of a habit. Series such as Cheers have acquired "cult status" in Britain after a poor start in America, and the British reputation has then been used in the US to justify the production of further

William William Shirt Shirt Shirt

Perhaps that will happen with Wild Paims, but I doubt it. What we have here is a slickly directed series, full of the atmosphere of menace, the anachronistic costumes (stand-up collars and collar studs in Television/Christopher Dunkley

Series in search of cult status

the year 2007 - does it seem likely to you?) and the bizarre non sequiturs which have always characterised fantasy series on television. Patrick McGoohan showed the way 26 years ago with The Prisoner which was shot in Portmeirion where a man who drove a classic sports car was held against his will by a mysterious organisation that called people by numbers and sent out a huge opaque globe to chase escapers. Years earlier, in *The Avengers*, we had seen how classic sports cars and old fash-ioned clothes could be combined with a sense of threat to produce the feeling of a lopsided alternative universe.
In Wild Palms there is a rhinoceros in

the empty swimming pool, sure enough the hero drives a classic sports car, and there is that familiar feeling of a sinister force behind the story of a television company which is moving into inter-active vir-tual reality. The trouble is that, as with The Prisoner, the drama does not really seem to have anything significant to tell us, about the past or the future or, come to that, the present. Moreover, it is so busy being mystifying and studiously weird that the story is almost impossible to fola sense of style, and strong though it is, it is not enough to sustain interest on its

Much the most impressive new American offering is The Great Depression, a classic documentary series of a sort which, five years ago, we might have thought would never again be made in the US. Then came The Civil War, a superb piece of work which rightly won awards all over the world. Now (on BBC2 on Saturday evenings immediately before the admirable "Performance" studio dramas which this week gave us the first performance of The Maitlands in 60 years; not a great play but one well worth seeing) here is a series which brings a strikingly graphic quality to the events of the clums. to the events of the slump.

This week's programme with its accounts of bank robber Charles "Pretty Boy" Floyd, and the "bonus marchers" veterans of the first world war demanding promised bonus payments from the government - and the manner in which the demonstrators were eventually evicted from Washington, proved again what the BBC's recent Thatcher series showed: that

no book can match the movie camera for vividness in reporting modern history. True, this programme was particularly striking because so much of the footage, instead of being grey and rainy, looked as though it had been shot last week, albeit in black and white, but it is not solely a matter of technical quality. To see MacArthur, Patton and Eisenhower as young army officers, and in particular to watch MacArthur's body language as they drove the starving men out of the city, was eye

n the other hand The Talkina Show is a series which, however good it may have seemed at the discussion stage, should never have been allowed to reach the screen. No doubt the producers said "We've never had a television series about the human voice - you know, accents, public speaking, conversation, everything", but perhaps there are good reasons. Sandy Toksvig, the presenter, is an excellent comedian, but that is scarcely what is needed here, and the idea of trying to distract us from the programme's shortcomings by laying disco beat over most of worked better as a radio series, though even then it would have needed radical re-thinking. On Blood And Belonging we shall have

to wait before reaching a firm conclusion. The idea of having Michael Ignatieff Investigate the resurgence of nationalism by globe-trotting through some of the worst affected areas seems sensible enough. He has proved himself an excellent conductor of studio discussions, admirably free of the urge suffered by so many television journalists to go tabloid and talk down to the viewers. Given his background (born in Canada of Russian parents with a childhood in Yugoslavia and recent years in the UK with its Northern Ireland problem) he would seem ideally suited to such a series. Yet the opening episode was rather less than enlightening. We watched Ignaties's

profile as he drove down a road perforated with borders musing "Is it ever going to be possible for Serbs and Croats to live together again? I don't know ... It's so difficult to understand ..." He asked a couple of Croats "What do you feel when you look out that way and you see Serbs on Croatian territory?" and was told "It hurts, it hurts". He picked over the detritus of a smashed concentration camp museum and wandered through other ruins. It all looked awfully like the places where Martin Bell has been filming since the whole ghastly business began. We can hardly blame Ignatieff if the honest conclusion is that it is all depressing and virtually hope-less, but if we wanted astute analysis of the roots and sprigs of nationalism we might have done better to keep him behind a studio table.

The most entertaining of the week's new programmes was clearly the BBC1 comedy If You See God Tell Him which lasted 45 minutes instead of 30, had no laughter track, and starred Richard Briers and Imelda Staunton. This is one of those com edies that rest on a single idea: in this instance, Briers (Godfrey Spry, hence God) is hit on the head by a load of builders rubble and as a consequence becomes entirely credulous, believing every word of every advertising campaign. He test drives cars along clifftops at sunset, crunches crisps all through his wife's funeral, and visits his bank manager convinced that he will be allowed to borrow a million pounds. Briers is splendid in the role, and the running gag held up strongly through out the opening episode; the only question is whether it can sustain three more. Since producer/director Marcus Mortimer is having a wonderful time making marvellously accurate spoof television commercials, the answer may well be yes.

Opera/Max Loppert

Glasgow 'Flute' in London

Zauberflöte is on loan from Scottish Opera. It was first given in Glasgow a year ago, hugely enjoyed and widely praised (by, among others, Richard Fairman on this page), and then snapped up to fill a hole in the Royal Opera's planning schedule.
This, alas, is where the problems

start. The transfer of an opera-staging from one company to another, more common than ever in the economically straitened 1990s, is fraught with danger - these are fragile plants, organically grown, and all too often fail to blossom, or even survive, in alien soil. As seen and heard at Covent Garden on Monday. this Flute is not exactly withered, just rather etiolated; disappointingly, its success in reproducing those qualities originally so much admired is considerably qualified.

Martin Duncan's sparky production, in the chic, up-to-the-minute designs of Ken Lee, has both a saucy freshness and a keenly intelligent command of the original text (a great deal more of the opera's symbolic arcana is taken on board, or at least hinted at, than in most current Flute productions). Bright poster-paint colours - yellow and violet are the show's trademark - do not render impossible the opera's acts of ritual but do exclude unwanted portentousness. The costumes, which make sly reference to children's book illustrations, high fashion, 1950s film musicals, and also longstanding Mozart tradition, are a particular

But it all fails to fill out the Royal Opera space; and so what was doubtless a triumph of imaginative modern opera-design in the Glasgow

Theatre Royal starts to look insubstantial in the wrong way on the broader, deeper Covent Garden stage. The cunningly economical use of drop-screens and trollies does not disguise the sense of inapt foreshortening that here takes hold. After a while Duncan's habit of moving his characters in group dance quence in time to the music begins to irritate. Details remain witty. The larger whole, not always accurately lit, lacks resonance.

Other reasons for the shortfall suggest themselves. In Glasgow the production had the benefit of Jeremy Sams's frisky translation - just what it needs. In London, the original language, though generally more punchily spoken and sung than it sometimes is in this theatre (by Kurt Streit's Tamino and Robert Lloyd's Sarastro especially), sits oddly on an almost entirely anglophone ensemble and an English-speaking audience; as ever in operatic comedy, the surtitles simply cannot make up the difference. The cast, of decent standard, seems slotted into the staging, not essential to the germination of its theatricality this is a familiar by-product of production-loans.

But to my mind easily the most powerful reason is the choice of Andrew Parrott as conductor. Parrott a pioneering concert-hall exponent of Early Music and "period" practice; his theatre experience is limited, and his command of Die Zauberflöte even more so, as he reveals in almost every bar of the score. The concern to produce a quasi-"period" orchestral balance with the ROH's modern-instrument band leads in practice to acres of dry flat, unluminous texture; the obsession with style-conscious fast tempos to a which serves the singers badly and the growth of dramatic momentum very little.

So the musical pleasures, such as they are, are momentary, not regular, and confined to the most experienced and confidently communicative members of the cast. This means above all Mr Streit's boyishly athletic, vocally expert hero, equally good in phrases of reverie and decision, Lloyd's admirable leader-priest (an interestingly disturbing figure), and Sumi Jo's matchlessly pure, pearly-voiced Queen. Gordon Hawkins's Speaker makes a notably warm yet muscular impression; the Three Ladies (Lynda Russell, Leah-Marian Jones, Catherine Wyn-Rogers) are well matched, the three Boys (young girls, actually)

Amanda Roocroft continues to develop her Pamina: she is now much surer on stage than when last encountered in this theatre, and spins out long lines with touchingly true musicianship. I wish I liked the actual sound of her lower and middle

Papageno - make-or-break factor of any Flute - seems to me miscast: Peter Coleman-Wright, the ENO's aquiline Giovanni, noble Billy Budd and sinisterly handsome Tarquin, works hard at the production's birdman routines but looks and sounds temperamentally and physically ill-suited to distilling from them the authentic, house-warming vocal and personal charm.

Royal Opera, Covent Garden: in repertory until December 11



Kurt Streit as Tamino in Martin Duncan's production

Theatre/Alastair Macaulay

The trouble with Berkoff...

teven Berkoff is one great rampant ego. His energy is terrific, and every scrap of it is ploughed into showing off. Both in motion and in speech, he draws maximum attention to his own method of performance. Yet the more you attend to the way he performs, the harder it becomes to take in what he is performing. His current solo show, One Man which has just opened (after its Edinburgh Festival Fringe outing) at the Garrick - consists of three different "acts". In none of them, however, has his style any depth. All is flashy, over-elaborate surface.

Berkoff's art is one of cartoon-like over-emphasis. The point of his sketches, like Monty Python's, is that they go into overkill. But no Python performer was ever so self-regarding or relentlessly cynical as this. One of this evening's three sketches is The Actor, in which, like a failed actor keeping fit, he jogs into a whirlpool: a non-stop downward spiral of ing to auditions, ringing his agent, losing his wife, visiting his parents, meeting fellow-actors and bitching about those in employment behind their backs. Parts of the audience are amused by this far from original vision of an actor's life as an endless round of malice. hypocrisy, envy, and panic-The dominant impression. however, is of the non-stop jogging-on-the-spot many-voiced virtuosity that Berkoff expends on it. His combination of technical bravura and spite is

loathsome. Worse is the version of Edgar Allen Poe's The Tell-Tale Heart which forms the evening's opening half. Here Berkoff embroiders Poe's narration of furtive but gruesome murder and paranoia with an endless array of actorliness. He changes voice and accent several times in mid-sentence; he repeats the word "stealthily" seven times while (a) diminish ing it into silence (b) exagger ating the oral gesture of saying it: he demonstrates 20 different ways of laughing (in series);

and so forth. When a police

siren is heard outside the thea tre, he incorporates that too into his act - with such relish, and in such a studied way, that you realise he welcomes such intrusions as a way of showing off further.

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Dog, with which Berkoff closes this programme, is the least irritating. Here he is a lager lout and his killer mastiff; and here at last his cartoon-type method has some comic success - mainly in the throttled rage with which he invests the dog. As long as he is busy alternating between personae, Dog keeps Berkoff out of his usual love of excess. But here too there are passage: when Berkoff paints the lily. then gilds it, and finally then shoves knobs on it. These occur when Berkoff cannot suppress his naturally adolescent love of gruesomeness - as when he mimes vomiting until he mimes swimming through his own vomit; or (in Tell-Tale Heart) when he mimes backing through each different fibre of the corpse. All that energy, and all of it pumping into a form of self-display both decadent (in its love of excess) and

At the Garrick Theatre, WC2, 071-494-5085



Rampant ego: Steven Berkoff in 'One Man'

awyers are people who help you get what is coming to them. They have long been satirised, and nowhere better than in Aristophanes' Wasps, now at The Place Theatre. The production makes a gloriously energetic and confused hash of the original, but manages in parts to be so enjoyable that it matters little that the

catch-all satire fails to catch very The action centres on Procleon, an old juror devoted to the Athenian system of civil courts. In this litigious society where the greatest power is the power of the attorney, he basks in his position as civil arbiter, "it makes mere

wealth pale by comparison." His

Theatre/Andrew St George

Too much buzz about Wasps

son, Anticleon, is convinced of the corruption in the system, and tries to distract him from the courts first by urging him to try cases at home. and then by luring him out to society

Fifth-century Athens and its legal system is so remote that the action sometimes seems baffling. There is, however, a universal and rooted dislike of lawyers. Perhaps the world of *Wasps* is more like that of the Think Tanks on Capitol

directorships in the City: "It's an achievement," admits Anticleon, "not to be held accountable." And if Athenian law was reason free from passion, Aristophanes is quick to turn the event into more of a competency hearing than a

The company, Aquila Productions, has tackled Clouds and Frogs and has performed Off Broadway and at Delphi, so it should know how

chaos and match it to the venue. At The Place Theatre, the actors roam throughout the audience, and a middle seat is no hedge against

enforced participation. There is an incomprehensibly sung jazz and blues score delivered by two musicians at the back of the open stage. The show's best touches are also American: a revivalist preacher comes to give the play's message, wandering amongst the

say Shame "; and the home trial of two dogs brings on "Butch" from Tom and Jerry growling "Dat's ma boy!"

audience crying "Lemme hear ya

The six actors, and some of the audience, race around at breakneck speed, so I hope theatre is insured against liability suits from distressed theatregoers. Still, theatre is cheaper than court. The show runs for 90 minutes; take the cost of the ticket from the cost of 90 minutes with Counsel and have a week end in New York on the

At The Place Theatre, WC1 (071 387 0031) until November 27

INTERNATIONAL

BONN

Beethovenhalle Tonight, tomorrow: Dennis Russell Davies conducts Orchestra of the Beethovenhalle and Bonn Philharmonic Chorus in Gorecki's Small Requiem and Brahms' German Requiem. Sun: Christoph Eschenbach conduct Bamberg Symphony Orchestra in Mahler's Seventh Symphony (0228-773666) Oper Fri and next Mon: Spiros

Argiris conducts Gian-Cario del Monaco's new production of La fanciulia del West, with cast led by Barbara Daniels. Sat: Werther. Sun: Otello. Next Tues: Lortzing's Der Wildschütz (0228-773667)

■ BORDEAUX

Palais des Sports Tonight and tomorrow: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in Mahler's Sixth Symphony. Next week's concerts are conducted by Fabio Luisi (5648 Grand-Théêtre Tonight and

tomorrow: new production of three Stravinsky ballets, choreography by Ted Brandsen, Paolo Bortoluzzi and Erich Walter. Sat: Zino Vinnikov conducts orchestral works by Handel, Bottesini and Mozart. Nov 23-27: Nederlands Dans Theater (5648 5854)

CANNES

An international dance festival takes place at the Palais des Festivals from Nov 24 to Dec 1. Guest companies include Bill T. Jones/ Amie Zane Dance Company, Lucinda Childs Company, Culiberg Ballet with Mats Ek's Carmen, Phoenix Dance Company from leeds with choreographies by Pamela Johnson and Donald Byrd, and Compania Nacional de Danza from Madrid with three works by Nacho Duato (9298 6277)

■ FRANKFURT

Oper Tonight, Sun: Sylvain Cambreling conducts Matthias Langhoff's new production of Simon Boccanegra, with cast led by John. Bröcheler and Barbara Madra repeated Nov 24, 27, 29, Dec 2, 4, 8). Tomorrow, Sat: William Forsythe's ballet As a garden in this setting. Fri: Il barblere di Siviglia (069-236061) Alte Oper Tonight: George Benjamin conducts Ensemble Modern in Takemitsu, Jonathan Harvey, Wotigang Rihm and Benjamin. Fri: Alexander Dmitriev conducts St Petersburg Symphony Orchestra in Brahms and Rakhmaninov, violin soloist Vadim Repin. Sat: Scott Weir

song recital. Sun morning, Mon evening: Sylvain Cambreling conducts Frankfurt Opera Orchestra in Beethoven and Zemlinsky. Nov 25: Peter Ustinov (069-134 0400) Jahrhunderthalle Hoechst Tonight tomorrow: Porov and Bess. Fri: John Lubbock conducts Orchestra of St John's Smith Square in Sibelius, Mendelssohn and Beethoven, piano soloist André Watts (069-360 1240)

■ GOTHENBURG

Konserthuset Fri, Sat: Gothenburg Chamber Orchestra plays works by Handei, Bach, Mozart and Suk. Next Tues: Gothenburg Brass Ensemble, Next Wed, Thurs: Neeme Järvi conducts Gothenburg Symphony Orchestra (031-167000) Stora Teatern This month's repertory consists of a new production of Rigoletto, conducted by Gabriele Bellini staged by Sonja Frisell, and revival of Christopher Renshaw's of Die Zauberflöte (031-131300/031-136500)

■ HAMBURG

DANCE/OPERA Repertory at the Staatsoper includes John Neumeier's ballet to Mozart's Requiem, La travlata with Tiziana Fabbricini, Francisco Aralza and Glorgio Zancanaro, and Ruth Berghaus' production of Tristan und Isolde (040-351721)

CONCERTS

Nikolaus Hamoncourt conducts Brahms' German Requiem tonight at St Michaelis-Kirche (040-351721). The Musikhaile has a trumpet recital

by Maurice André on Mon, concerts by North German Radio Orchestra conducted by Krzyzstof Penderecki on Nov 26 and 27, and an evening with Peter Ustinov on Nov 29 (040-354414)

Tony Kushner's Angels in America receives German premiere on Fri at the Deutsches Schauspielhaus, directed by Werner Schroeter. Repertory includes Shakespeare's Troilus and Cressida and new adaptation of Goethe's Faust Parts One and Two (040-248713)

■ LEIPZIG

Gewandhaus Tonight, tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra and Chorus in Brahms' German Requiem, with soloists Edith Wiens and Siegfried Lorenz, Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in works by Berg, Richard Strauss and Skryabin, violin soloist Christian Altenburger (0341-713 2280) Opernhaus Tonight: Wagner/Pax questuosa, ballet by Uwe Scholz. Tomorrow: Jakob Lenz, chamber opera by Wolfgang Rihm. Fri: Scholz's production of Coppelia Sat: Die Zauberflöte. Sun: Bartok/ Schoenberg double bill (0341-291036) Schauspielhaus Tonight: Vienna's Burgtheater opens Lelpzig's avant-garde theatre festival with George Tabori's Reports for an

Academy. Tomorrow: Schauspiel

also features dance and theatre

ensembles from Helsinki, Tokvo

Leipzig presents Alfred Jarry's Ubu

Roi. The festival, which runs till Sun,

and Bucharest ((0341 792 2162)

■ MUNICH

Staatsoper Tonight, Sat, next Wed: Gerd Albrecht conducts Thomas Langhoff's new production of La Damnation de Faust, with Thomas Moser, Jeanne Piland and Alan Titus. Tomorrow, Sun; Elektra with Gwyneth Jones and Christa Ludwig. Frl: John Cranko's ballet Onegin. Mon, Tues: Peter Schneider conducts Bavarian State Orchestra In works by Mozart, Herbert Willi and Richard Strauss. Nov 25, 28: Meistersinger (089-221316) Cuvilliés-Theater Tonight: Heinrich Bender conducts Nikolaus Lehnhoff's production of Henze's Der Prinz von Homburg, with François Le Roux, Helga Dernesch and William Cochran. Repeated Nov 21, 26, 30 (089-221316)

■ OSLO

Konserthus Tomorrow, Fri: Hans Vonk conducts Oslo Philharmonic Orchestra and Chorus in works by Brahms and Beethoven. Next We Lucia Aliberti sings opera arias. Next Thurs and Fri: Mariss Jansons conducts Honegger and Bruch (2283 3200)

■ STOCKHOLM

PENDERECKI FESTIVAL The festival reaches its climax over the next four days with performances by Cracow Philharmonic Orchestra and Chorus. Stockholm Chamber Orchestra and

Royal Stockholm Philharmonic Orchestra. In the final concert on Sat. Penderecki conducts his Second Cello Concerto (Mstislav Rostropovich) and Fourth Symphony. (tickets 08-102110

ROYAL OPERA

Information 08-212520)

Repertory consists of a new production of La traviata, conducted by Marlo Guidarini and staged by Knut Hendriksen, plus Boccaccio and Cav and Pag. The Swedish premiere of Glen Tetley's Shakespeare ballet The Tempest takes place on Nov 26 (tickets 08-248240 information 08-203515)

■ STRASBOURG

Palais de la Musique Tomorrow, Fri: Yuri Ahronovich conducts Strasbourg Philharmonic Orchestra in works by Grieg and Dvorak (8852 Théatre Municipal Sat, Sun: Patrick

Davin conducts Luc Bondy's Brussels production of Philippe Boesmans' opera Reigen. Nov 26: first of five staged performances of Schumann's Manfred (8875 4823)

■ STUTTGART

Staatstheater Tonight: Hans Zender's new opera Don Quijote de la Mancha. Fri, next Wed: Gabriele Ferro conducts concert performances of La Damnation de Faust, with Glenn Winslade, Marilyn Schmlege and Philippe Rouillon. Sat, next Tues: Ruth Berghaus' production of La traviata. (0711-221795)

ARTS GUIDE

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thought we knew what "peacekeeping" meant. If two warring parties agreed to a ceasefire, a peacekeep-

ing force was sent in, usually by the UN, to help them

This happened in the third world. Peacekeeping was not required in Europe unless you count Cyprus. Peace in Europe was kept by the mutual deterrence of two heavily armed alliances, each dominated by a nuclear superpower. Peacekeeping was an instrument the superpowers used to contain conflicts on the periphery of their spheres of influence, so as to lessen the risk that they themselves would become directly involved. · Consequently they did not contribute troops of their own.

All in all, peacekeeping was rather small beer. In 1987 the UN had only five peacekeeping missions on foot, deploying a total of 10,000 personnel at a cost of \$233m. It was not something a serious military organisation such as Nato would

How times have changed, Today peacekeeping is all the rage, especially in Europe. Both the US and Russia have contributed troops to UN peacekeeping forces. And Nato is very much interested, seeing peacekeeping as one activity which can occupy its formidable staff of military planners, and indeed justify its continued existence, now that its

original raison d'etre has gone. But no one knows any longer what peacekeeping is. Most of the 13 current UN peacekeeping missions, on which 75,000 troops are now deployed at a cost of \$3bn, involve tasks well beyond those of "classic" peacekeeping, such as monitoring or organising elections, aid to refugees and disaster victims demobilisation of forces, collection of weapons, and disarmament of paramilitary or

irregular units. In an excellent survey of the subject published last month* Mats Berdal, a research associate at the International Institute of Strategic Studies, points out that peacekeeping forces now have to operate in much less "permissive" environments than in the past. Instead of their territory and armed ment the political process of

Stanley Kalms

Peace Not so long ago, we all role in pieces

> Peacekeeping and military intervention have become indistinguishable

forces, peacekeeping forces find themselves confronting "myriad paramilitary groups. militias and 'uncontrolled' elements", which frequently gnore ceasefires negotiated by their nominal superiors. Thus although in theory peacekeeping, as distinct from armed intervention, still requires the

radic consent obtains". Mr Boutros Boutros-Ghali. UN secretary-general, was aware of this problem last year

consent of the warring parties,

in practice "only partial or spo-

UN soldiers are becoming less credible either as peacekeepers or as enforcers of UN decisions

when he drafted his "agenda for peace". He described neacekeeping as a "technique' which could contribute both to preventing conflict and to peacemaking, and defined it as "the deployment of a UN presence in the field, hitherto with the consent of all the parties

Similarly, Nato has now pro duced a "draft doctrine for peace support operations", of which neacekeeping "narrowly defined" is only one member. And even in that narrow definition, "consent of the parties" has disappeared. Peacekeeping. according to Nato, "is the containment, moderation and or termination of hostilities between or within states. through the medium of an impartial third party intervention, organised and directed internationally, using military forces, and civilians to comple-

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conflict resolution and to restore and maintain peace".

Nato uses the phrase "con-flict prevention" for activities under Chapter VI of the UN Charter, which deals with pacific settlement of disputes". It uses the word "peacemaking" for diplomatic actions, up to and including sanctions, which are "conducted after the commencement of conflict, with the aim of establishing a peaceful settlement": whereas "peace enforcement", in Nato's vocabulary, involves using military means to restore peace, as provided for in Article 43 of the

UN Charter. This is confusing, because Mr Boutros-Ghali, who coined the phrase "peace enforcement", had distinguished it from use of force under Article 43. His proposed "peace enforcement units" would be sent, as a "provisional measure" under Article 40, to 'restore and maintain" a ceasefire which had been "agreed to but not complied with".

To make matters even more confusing. Mr Boutros-Ghali included both types of enforcement under the heading of "peacemaking", even though he defined this as "action to bring hostile parties to agreement, essentially through such peaceful means as those foreseen in Chapter VI".

Clearly the key difference between peacekeeping and enforcement is that the former is supposed to be impartial. whereas the latter involves taking sides. But the distinction is getting blurred.

In Bosnia the UN "protection force" is still trying to behave impartially, in spite of UN sanctions against Serbia, and has therefore failed to act on Security Council resolutions authorising it to use force to get supplies through to suffering civilians. In Somalia, by contrast, the mandate of the UN force referred specifically to Chapter VII of the charter, and the UN force found itself involved in clashes with one of the Somali factions. It is probably inaccurate to call it a

peacekeeping force at all. The result of all this confu-sion is that UN soldiers anywhere are becoming less and less credible either as impartial peacekeepers or as enforcers of Security Council decisions. The matter should be clarified without delay.

Whither UN Peacekeeping? IISS Brassey's £10/\$17.

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the welfare state advanced economies over the past 40 years has reflected the social and political prior-

The growth of

itles of the post-war period. Increased welfare provision was seen as a grand egalitarian gesture after the privations of the second world war, part of creating a more just society. But by mitigating the human cost of economic change, it was also a form of social investment in building successful and stable economies.

That vision has been blurred, however, by changes in the social and political environment which have come with intensified global competition and the growing problems of national economies. Today, the welfare state sits beleaguered increasingly shunned by those who can afford private provision and resented by those who have no choice but

to use its services. Support for the welfare state has been undermined by two factors. The first is the gradual increase in affluence, which has changed the balance between those whose interests are served by collectivism and those whose interests are served by private solutions. The second is the increasing cost of social security benefits as economic growth has faltered and unemployment has risen. In many western economies, this cost has been further amplified by the erosion of family and community forms

of social support. The loss of support for collectivism can be traced in popular resistance to paying higher taxes which developed in the 1970s, initially in the US, and spread through the advanced economies. This resistance developed into "scrounger phobia" in the early 1980s, with attacks on a culture of dependency supposedly encouraged by the nanny state.

As income tax regimes have become less progressive, the rhetoric of politics has altered. The Christian ethic and socialist idealism behind the modern welfare state proclaimed an inclusive vision of society, a belief in the possibility of redemption for everyone. Now. talk of winners and losers as the natural state of affairs is more common. In the harsher economic climate of the 1990s. the idea of irredeemably evil people has been resurrected. with the invention of new categories of "deviants", such as

Beggar your neighbour

Bob Tyrrell and Charlotte Cornish on the big chill facing those who depend on state welfare

irresponsible single parents, who ought to be excluded from welfare support.

At the same time, people have become less secure about their financial position, as the two charts show. Until as recently as five years ago, Europeans typically expected their income and expenditure to vary over their lives in the smooth and predictable pattern shown in the first chart. The much more volatile pattern of income and expenditure in the second chart is likely to be perceived as the norm today.

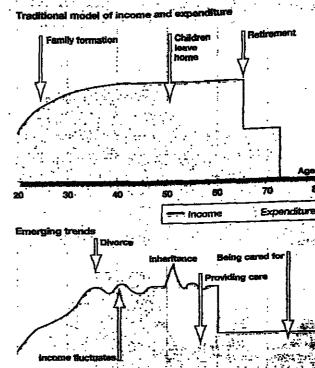
This loss of economic security and confidence has undermined public support for col lectivist welfare policies. The Planning for Social Change survey produced by the Henley Centre, a marketing and strate gic planning consultancy, reveals a dramatic change in views on the most effective way of improving the quality of life in Britain. Those polled are asked to choose between two options: "Looking after our own

interests. Which ultimately raises standards for everyone". · Looking after the commu nity's interests rather than your own".

There has been a steady move away from the first "Thatcherite" answer towards the second collectivist option between 1986 and 1991. But, as the recession continued and unemployment increased, support moved back to putting the individual's interests first, and this had become the majority choice by 1993.

This move away from collectivism has been described by Stewart Lansley (After the Goldrush, forthcoming from Century) as "competitive individualism". It holds that people cannot afford to be other than self-interested. Taxpayers increasingly feel that they cannot afford to pay higher taxes because they need the income to keep themselves out of the unacceptably low-quality public services such as health, transport, education, or to maintain their security from crime. This corrodes support for the welfare state.

Changing expectations



The rise of competitive individualism also undermines the ability of other bodies to assume some burdens of the welfare state. Even the family, where co-operation was the norm, has been touched by

greater individualism. One symptom of this is the increase in divorce and rise in numbers of lone-parent families across the western world In the UK, with one of the highest divorce rates in Europe, one in three first marriages ends in divorce and one in five families is headed by a lone parent. While this may have many causes, it is arguable that the increase in loneparent families reflects a decline in individuals' willingness to subordinate their interests even to the collective unit of the nuclear family.

Another symptom is changing consumption patterns. The duplication of consumer durables such as TVs and cars within households allows ereater freedom from the uniformities that might otherwise be imposed by family decisions. The most recent generation of durables, such as the video recorder and the microwave oven, seem almost to have been designed to appeal to the family that no longer

plays together. Even with more mundans products such as shampoo, butter and breakfast cereais, individual family members seem to prefer to make their own choices. The household product that all the family uses is becoming a rarity.

Economic and social charg such as these make it harder

for societies to cope with demographic change expected over the next generation. People are less willing to contribute towards rising welfare spending resulting from the ageing of the population. Yet there are fewer alternatives to state sunport for the old and other dis-

advantaged groups. In many countries concern over exploding pensioner populations has cast a cloud over expectations of an idvilic "third age" for the next generation of senior citizens. In Germany it began in 1969, when actuarial reports to the government rang alarm bells about the costs of supporting rusing pensioner populations in the next 20 years. Employees' social insurance contributions were increased; the retirement age was raised and the level of pensions was reduced.

isewhere, particularly where pension systems are based on state Day-as-You-go schemes, concerns are now mounting in France, a recent report estimated that the state pension fund would be in deficit to the tune of FPr300bn (£34.3bn) by 2010 compared to FF120bn today. Similar analyses in Spain, Greece and Italy have come to the same conclu sion: more of the costs of tomorrow's elderly populations must be paid for today whilst their expectations of universal and rising benefits must be

Underlying this conclusion is the assumption that social and economic change have made it impossible for the state to sume increasing responsibili ties in the way that seemed natural until quite recently.

At the same time, the shifty of other bodies, such as the amily, to take these on is hardly reassuring. New responses may well emerge from the family, or new institutional forms may fill the gap.

For those with the skills to qualify as core employees, the may offer a lifeline. The US communitarian movement has advocated new community organisations to provide local

But for those who must rely on the welfare state, the world is becoming a colder, harsher place in the social and political conditions of the 1990s.

Bob Tyrrett is cited executive of the Henley Centre and Charlotte Cornish is a senior analyst. This is the third article on welfare states around the world. us articles 'appeared on

Number One Southwark Bridge, London SEI 9HL

to pensions privatisation

From David Miliband. Sir, Philip Stephens is right

to point out that the privatisation of pensions, floated by Michael Portillo, chief secretary to the Treasury, raises as many questions as it answers "The National Insurance fiction", November 11). Not least of these is the problem of one generation (probably mine) being asked to pay twice - for our parents and for ourselves. He does not, however, mention that reform is necessary now to prevent contributory bene-

Today, only three out of every 10 jobiess people actually receive unemployment benefit. A similar proportion of women receive the full national insurance pension on the basis of their own contributions.

As the first in a series of "issue papers" published by the Commission on Social Justice pointed out last week, the rigid structure of national insurance - based on a fiction about bread-winning fathers and caring mothers - is at odds with our flexible labour market and variegated family

The status quo is not an option. But privatisation is not the only alternative. Radical reform of National Insurance to preserve its ideals - security, universality, fairness - is possible, but only if we match the system more closely to the realities of economic and social life today. David Miliband,

Commission on Social Justice, Institute for Public Policy Research. 30-32 Southampton Street, London WC2E 7RA

Alternative | IMF to fund Russia | Sick pay a on performance, not promises

From Mr John Odling-Smee.
Sir, Jeffrey Sachs asserts
("IMF 'is missing its big chance", November 11) that the International Monetary Fund "was told this year to spend US\$13bn on Russian reform". As an adviser to the Russian government, Sachs should know that the IMP was not "told" to do anything of the sort. The main industrial countries said publicly this year that if economic reform and stabilisation in Russia proceeded in line with agreed tar-gets, the IMF could make available \$13bn to Russia. But Russia did not implement its stabilisation plans - for exam-

The disbursement of IMF

ple, inflation continues to run

at an annual rate of more than 1,000 per cent. funds must be linked to actual performance and not merely,

No to parish pump society

From Mr Alex Robertson. Sir, How much noise Bill Cash (Letters, November 13/14) and his parish pump society make! Of course the FT is correct that the name we use to describe Europe is unimportant! Anyone would think Cash and his like alone were defending the best interests of the people of the UK. It is high time that people making the wealth turned and told them

The truth is that our economic and political future lies within Europe. Millions are toiling to make jobs and wealth in a large but keenly competitive market. They see

as Sachs seems to imply, to hopes and promises. Sachs complains that the IMF is not "now negotiating with the Russians". In fact, the

and reform: As in the past, we stand ready to agree on the further

use of IMF resources as soon as the Russian authorities as a whole are in a position to commit themselves to and implement, on a sustained basis, a strong adjustment programme.
John Odling-Smee,

that they do no such thing.

IMF staff have been, and contimue to be in close contact with senior Russian officials in Moscow; and are discussing indetail the measures needed to achieve financial stabilisation

director, European II department

the opportunities and work hard to turn them into profit. But people like Mr Cash seek

to cripple us and suppress our commercial urges. Any fool but he realises that the European Union makes our job easier. The only sovereignty he seeks to protect is the right to sit in a parliament which grants itself extravagantly self-indul-gent pay rises and makes nohoper MPs feel important. He is a pest, he is wrong and he should be told in plain Angio-Saxon terms to shut up

or go away. Alex Robertson, Lange Leemstraat 268, B2018 Antwerp, Belgium

tax on employers

From Mr G W Burndred Sir, I am appalled to read the biased reporting in your article Treasury set to force severe cuts in sick pay subsidy (November 12). You write blandly of the "subsidy" given to employers and the possibil-ity of that "subsidy" being reduced from 80 per cent to 60

May I remind your readers that statutory sick pay was a burden placed upon employers a few years ago and that, initially, employers were recom-pensed by the government for the administration costs of making what amounts to social security payments on their

Statutory sick pay is now a tax on employers. Perhaps with a more factual approach to such reports, your newspaper might avoid preparing such an easy path for the government to impose yet fur-

ther taxation on industry. G W Burndred, managing director, Tungum Hydraulics The White House,

Cheltenham GL51 0AD

Historic right

Prom Miss Jane de Belooir. Sir, Women priests have a long and distinguished history in Britain except for a brief period of less than two millenia when the wishes of the Christian god held sway. Are they not, therefore, entitled to be addressed correctly

4 Feurise Lodge, Swindon, Wiltshire SN15 9YZ

European unemployment crisis and monetary policy inseparable and deficits, be an ill-advised never been a goal *per se*. It has

From Mr Jan-Peter Olters.

Sir, Saying that the "real issue facing Europe is the task of reducing unemployment" is – as far as I can see it – virtually unchallenged ("Pohl sees iobs crisis as main European task". November 11). I do not see the European unemployment crisis as separate from a common and co-ordinated European monetary policy.

The argument is two-fold.

been decided upon as an instrument to reduce exchange rate risks and foster trade. increased trade, in turn, will help to create additional

Second, the options that governments have to reduce unemployment are very limited, almost non-existent; a traditional Keynesian-style fiscal stimulus programme might, First, a monetary union has faced with high public debts

policy or simply impossible. The same argument basically applies to tax-reduction proposals. Expansive monetary policy, as undertaken in North America, stops in Frankfurt. Labour market deregulating policies, at least as long as they translate into an erosion. of real wages, will constrain

aggregate demand even fur-So, why not exploit the few

remaining options Europe still has? Analysing the commoncurrency debate in light of the European unemployment crisis leads to the recommendation to speed up the process to Emu rather than to slow it down. A common monetary policy should remain the main prior-

Jan-Peter Olters, 3558 Avenue Lorne #7. Montreal, PQ H2X 2A6,

Wednesday November 17 1993

All change for Italian banks

AFTER MORE THAN a year of delay, the strategy behind Italy's banking privatisations is now clear.-Disposals of state shares in the country's banks are starting with the sale of the state holding company's 67 per cent stake in Credito Italiano. Once liberated from state control, Italian banks will be able to play a much more effective role as traders and shareholders in stocks of other companies to be privatised later.

If the exercise goes according to plan, it should provide an important force for change in a banking industry which has been long shielded from competition. It will produce a welcome increase in overail Italian equity capitalisation. And it will bring in much-needed receipts for the administration of Mr Carlo Azeglio Ciampi, who is struggling to maintain ambitious deficit-cutting policies in the face of a recession-induced fall in tax revenue.

With every week that passes, government regrets must be increasing that privatisation did not start sooner. After a sharp fall in the Milan stock market since August, the sales are starting at an unpropitious moment. Both Credito and Banca Commerciale Italiana, scheduled for sell-off next spring, claim their profitability has increased this year. But after trebling in the four months after Italy's ERM exit in September 1992, Credito's share price has fallen by one-third this year. Financial market uncertainties are likely to increase as the countdown gets under way to new elections, probably next spring, which

ent

are intended to find replacements for a political class discredited by

In view of the Italian authori-ties' overwhelming determination to make the Credito launch a success, and the bank's heavy exposure to the troubled Ferruzzi group, the shares are certain to be sold at a heavy discount. After the failure of initial efforts to sell Credito to a domestic or foreign institution, the government is trying to encourage interest from retail investors through a vigorously-marketed public offering. Although individual shareholders' stakes are being limited to 3 per cent, some institutions may form alliances to build a collective controlling stake. This would increase the likelihood of secure placement. But it would also run counter to Mr Clampi's sensible objective of wider share owner-

Even after the Credito sale, longer-term prospects for the banking industry will remain cloudy. New, non-political leaders will be needed. Relatively high profitability will fall as competition increases. Consolidation of Italy's large number of regional banks, coupled with the relaxation of traditionally tight controls on branch opening, will lead to a smaller number of institutions with a wider spread of activities. During the next decade, the banks will play a crucial role in dismantling the apparatus of public sector corporatism of which they hitherto formed a part. The sell-offs under preparation are the first stage in a

Half a big stick

HOW SMALL is a minimum: nuclear deterrent? After months pondering the appropriate level of armament for its new Trident submarines, the British government has come up with an enigmatic formula. Its decision to keep the total explosive power in line with that deployed on its ageing Polaris submarines is meant to deliver a political message, without reveal; in terms of actual warhead numbers or megatonnage of destruc-

tive force. As a gesture, the self-limitation policy is logical and timely. To have pressed ahead with anything like the full potential of Trident. ordered during the cold war, would have left the UK out on a limb with China as the only recognised nuclear powers actively strengthening their arsenals while the US and Russia embark on deep cuts in their nuclear stock-piles.

Good faith by the nuclear powers in curbing their armouries will be crucial for hopes of securing renewal of the Non-Proliferation Treaty - perhaps the most impor-tant of all arms control pacts - in 1995. A complete ban on nuclear testing, which the UK has come around to supporting, could also have considerable symbolic effect.

Sound arguments can still be made for keeping nuclear weapons. They are integral to the Nato security structure, part of the Nato bargain being that the US does not bear the nuclear burden alone. Britain and France may also have good reasons for keep-

Steel aid

THE CRISIS in the European steel industry is coming to a head. Tomorrow the European Union's Council of Ministers meets to decide whether to approve handouts to state-owned steel compa-nies in Italy, Germany and Spain-Today the European Commission is due to agree its line for the

Both the Commission and governments from liberal states such as the UK. Holland and Denmark should hang tough. State aid is distorting the steel market by giving inefficient government-owned companies an unfair advantage over efficient private-sector groups which are already suffering from a severe recession. More-over if subsidies are waived through without tight conditions in this case, there is a danger of a knock-on effect in other sectors, such as airlines, with the result that the whole single market pro-gramme could be brought into dis-

The wrangle over steel subsidies has dragged on for almost a year.
Over that period, Mr Karel van
Miert, the competition commissioner, has sought to cajole recalcitrant governments into scaling back their hand-outs and closing loss-making mills. So far, he has reached deals with the Spanish and German governments. This has involved compromises on both sides. The Commission has provisionally approved more aid than competition purists would have liked; the governments have had to face the unpopularity of shutting factories.

nuclear weapons have a purpose other than as a counter to a

ing forces as a hedge against

future upsets - a return of east-

west confrontation or a direct

threat from a new nuclear state.

But clarity is needed. Do

would-be nuclear aggressor? Their wider role as preventers of war one which they can be held to have performed in Europe for over tionable outside the context of the bipolar east-west stand-off. They do not seem to deter Galtieris or Saddams. It is doubtful whether nuclear arms can effectively deter the use of chemical or biological weapons. Would an aggressor really believe he was risking nuclear reprisal? Nor does the existence of nuclear arms stop countries such as North Korea from seeking their own nuclear weapons, or - in the case of Ukraine with the leftover Soviet weaponry on its territory - from helding on to them.

The nuclear priority must now be just that - to stop proliferation. There needs to be a shift in the balance between long-held defence doctrines and the foreign policy objective of widening and strengthening the non-prolifera-tion regime. Existing nuclear forces should be reduced as far as prudently possible, made as safe as possible and kept at lower states of readiness: and transparency should be increased. It is difficult to insist that other countries open themselves to inspection while refusing to be more open about one's own weapons.

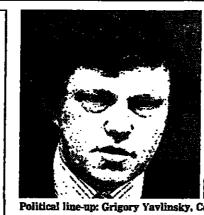
But Mr Van Miert has been unable to cut a deal with Italy. The government has said it will reduce the capacity of Ilva, its steel group, but not to the equivalent extent agreed with Spain and Germany. Mr Paolo Savona, the country's industry minister, has

even threatened to go ahead with out Commission approval and fight the issue in the European Court of Justice. The Commission must not slacken its resolve. Not only could

further concessions to Ilva under mine the deals with Germany and Spain. Liberal countries, unhappy that the Commission has airea compromised too much, could veto the whole package. If Italy can be brought into line without further concessions, the liberal states should go along with

the restructuring plan. Though far from ideal, it would open the way for private sector steel groups to make matching capacity cuts and so help restore the industry's health. But if more compromises are made or Italy fails to reach agreement, other governments should have no qualms about voting the package down.

Such toughness, of course, could mean there is no deal tomorrow. But no deal would be better than a had deal. It is also possible that Italy, faced with the prospect of isolation, would draw back from the brink. If it does not, a postponement of the council until next month might be necessary. Thereafter, the Commission might have to use sanctions to resolve the











Political line-up: Grigory Yavlinsky, Communist party's Gennady Zyuganov, Yegor Gaidar of Russia's Choice, St Petersburg mayor Anatoly Sobchak and Genady Burbulis of Russia's Choice a bid for the supporters of M:



resembles a contest between ardent hand of virgin vote ers. Both sides are IN RUSSIA new to the game of wooing. The house is turning into an impressive display of debate and argument, as people size up how far the candidates can fulfill their hopes and calculations.

This does not come naturally. A eople long told that only unanimity was acceptable has more than a few tremors about political division. while the discrediting of party politics, common to all post-communist societies, makes candidates defensive about their ambitions and vague about their programmes. But it is, raucously, under way.

Some 13 parties, covering the leftright spectrum much more fully than in more settled democracies. are now registered and their chosen runners and supporters are on the stump. The only notable political absence is that of a hardline nationalist party: Mr Sergei Baburin's Russian National Union was disqualified for non-compliance with the registration requirements (though he wants to be selected as a candidate in his home town of Omsk). But since all the other parties - especially the Communist party of Russia - stress the need for nationalist revival, it cannot be said that the idea itself lacks expression.

Some parts of the written press are lively and varied. Izvestiya, the most prestigious of the post-Soviet papers, is firmly pro-Yeltsin and for the liberal Russia's Choice bloc of Mr Yegor Gaidar, others are as vociferously against. Pravda, back on the news-stands, is solidly anti-Yeltsin and still claims national coverage; papers such as Trud and Selskaya Zhizn, serving union members and farm-workers respectively, are at best sceptical of the authorities; and of the new upmarket papers, Nezavisimaya Gazeta is increasingly sharply critical.
Television, the dominant medium,

Russia's election campaign is off to a good start with a wide range of political views on offer, says John Lloyd

The people need persuading

entwined, are clear enough. The

party which is the nearest to being

the governing party - Russia's

Choice - campaigns on a continua-

tion of reforms as essential both for

a fight against inflation, now at

about 20 per cent a month, and, as

Mr Gaidar put it recently, to close

the widening gap between rich and

poor. Every other party, including

those which proclaim themselves as

pro-market, argue that it is pre-

cisely the policies pursued by Mr

Gaidar which create inflation and

r Alexander Vladis-

lavlev, a leader of

the group Civic

the gap between rich and poor.

does not show such diversity of opinion. Mr Vyacheslav Bragin, chairman of the main state channel, Ostankino, is a candidate for Russia's Choice and is wholly a Yeltsin man. Mr Oleg Poptsov of Russian TV, the other main state-owned channel, is less so, but says he is under constant pressure to conform to the government line.

A bulletin on Russian TV last week, chosen as a random example. illustrates the problem. It began with a piece on the new constitu-tion, the text of which had been published that day. The accompanying voice told the story of a document replete with citizens' rights and advantages, while under the commentary, a gentle musical theme swelled. It could have been a

The danger is only in part an overweening political establishment which has placemen at the top of television. This control rests upon a profession which has insufficient regard for itself as a separate estate. TV still gets little of its support from advertising and most papers (including Pravda) depend on subsidies. Further, the psychology of journalists over 30 was formed in Soviet times, when freedom had a very low ceiling - even the best editors are grateful to a president who has brought them out of servitude. As a result, the themes of the campaign remain insufficiently clarified. Grand statements and allegations surface like spouting whales, then submerge unchallenged. But the themes, and the personal-

Union for Stability, Fairness and Progress, said that his group - backed by Russia's industrial lobby - stood for "therapy without the shock"; he has not been the first nor the only politician to use the phrase. Mr Grigory Yavlinsky, head of the Yavlinsky-Boldyrev-Lukin group, says that "it is useless to try for tight money policies while property is not widely dispersed and the economy is dominated by monopolies". The Party of Russian Unity and Accord, led by deputy premier Sergei Shakhrai, tempers its support for further market reforms with a promise to develop "an active industrial policy, directed to the support of branches and enterprises able to become the locomotives of economic growth".

ities around which they are the sinews of the state, all the opposition parties in different ways pledge their commitment to strengthening these again. Some, especially the Civic Union and the Communists, cast more than a glance at the former Soviet Union and pledge an active policy of reforging the links between the republics. Where Yeltsin/Gaidar are seen to have weakened Russian power by an overharsh dose of market reform, the other parties propose a strengthening of the state consonant, of course, with the widest development of civil rights.

The publication of the constitution, and Mr Yeltsin's ambiguous withdrawal of his promise to stand in elections for president on June 12 next year, are gifts for the opposition. Mr Yavlinsky, himself a declared candidate for the presidency, is particularly scathing about Mr Yeltsin's apparent decision to serve his full term to 1996. The Communist party, ably led by Mr Gennady Zyuganov, has accuse Mr Yeltsin of giving himself more powers than "tsars or pharaohs" a deliberate if breathtakingly impudent attempt to tar Mr Yeltsin with the brush of reaction.

Polls reveal a country confused and as yet far from convinced by anyone. Russia's Choice routinely scores the highest approval rating: but in a recent Moscow poll it received 37 per cent of the vote and the Communist Party 26 per cent. Mr Zyuganov said last week that he Where Yeltsin/Gaidar policies aimed to "unite the patriotic forces"

Baburin's banned Russian National Union, many of whom would naturally tend towards the Communists. Mr Anatoly Sobchak, mayor of St Petersburg and himself a broadly pro-Yeltsin candidate in the Movement for Democratic Reform, said that "the likelihood is for a parlia-

mentary mosaic of parties, none of which dominate, which turns out like the first Polish parliament where they couldn't agree on electing a prime minister".

Mr Genady Burbulis, a founder-

candidate of Russia's Choice and a former first deputy premier, sees a similar danger - with the Commu-nists-nationalists making a strong showing. An internal government paper, published by Nezavisimaya Gazeta, produced figures of 30-33 per cent for Russia's Choice, 33-36 per cent for the centrist partles like those of Mr Yavlinsky, Mr Shakhrai, Mr Sobchak and Civic Union; and 15-20 per cent for the hardline opposition, led by the Communists. There is no doubt that Mr Gaidar faces real opposition. Unable to canvass properly because of his government duties he carries the load of past unpopular policies. Temperamentally unable to put on a populist act, Mr Gaidar and his colleagues have considerable disadvantages to set against their undoubted advantages in the media and among the elite.

Tourism

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If Russia's Choice does well, however, he can claim the premiership: if not, Mr Viktor Chernomyrdin, the present prime minister, a man whose stature has grown in the country, will probably be asked to continue. Shrewdly, he chose to declare himself as merely an honest public servant above all politics and is not standing for election.

Three weeks from Sunday, Russia will make her choice for a free parliament, the first time the country has been able to exercise such a right in more than three-quarters of a century. The political atmosphere is still fragile and tense - it is, after all, only six weeks since tanks were shelling the last parliament. But the

losers and on the short term.

What is at stake from the Latin

Nafta a launch pad for Latin America



The world truly bas turned upside down. Thirty years ago, Latin American governments were sternly admonished by admonished by anmonished their Organisation

PERSONAL for Economic VIEW Co-operation and Development counterparts to open their economies to world trade and let the market work its wonders. The Latin Americans obstinately stayed the course of import substitution, often

behind excessively high barriers of protection blended with state interventionism. Today, the Latin American countries are the ones that are unilaterally following trade liberalisation policies, combined with a greater respect for the "right prices", while many OECD countries indulge in maintain artificial prices for numer-

ous agricultural products. Thirty years ago, the conventional wisdom was that developing countries could not compete with the superior economies of scale and

The wrong

■ Imagine the panic. Britain's

prime minister, now preaching a return to "basic values", had agreed

to unveil a plaque commemorating

the occassion (sic) of the centenary

of Battersea Town Hall" last Friday.

At the last moment the spelling mistake was spotted but not in time

to order a new plaque. Should the ceremony go ahead without an

At the town hall - now inhabited by BAC, a fringe theatre group -

it was decided that the show must

go on, presumably in the hope that the PM would not notice and the

Such spelling slackness might

error could be corrected later.

looney left borough such as

favourite London borough?

organisation funded by

Right spirit

Lambeth but surely not in an

Wandsworth, the Government's

■ When staff at Coutts, NatWest's

posh private bank, thought they

had heard their last ghost story

along comes reports that one Mr

through Coutts' branch in the

Lloyd's insurance building.

Angerstein has been sighted flitting

Surely it could not be John Julius

Angerstein, the father of Lloyd's

and its chairman between 1790 and

occasion

unveiling?

the technological and organisational capacity of companies in the industrialised world. To penetrate markets in developed economies, those countries demanded nonreciprocal preferential treatment as the only way to diversify exports away from basic commodities (agricultural and mineral): the General System of Preferences was hailed in Latin America as a big breakthrough in the rules that govern the international trading system.

Today, most Latin American countries have joined the General Agreement on Tariffs and Trade, and those that have not are in the process of doing so. Demands for non-reciprocal preferential treatment are no longer in fashion, since unilateral liberalisation has, in fact, imposed on the region's companies the imperative of competing in the world market. Today, rather, we hear voices in highly developed countries claiming that their own companies cannot compete with low-cost labour and standards or permissive environmental rules, or even alleged or real comparative advantages which they attribute to developing countries. Never mind

in christening a new corporate capital vehicle the Angerstein

Talking back

unnoticed.

Underwriting Trust had not gone

especially for saying that if sterling were left out of a single European

blaming the press. "They are mostly feckless, ill-informed and otherwise

unemployable people. One or two

are parentally challenged. But you

them, so you get what you deserve

newspapers had actually been right.

know all that before you talk to

In this case, he conceded, the

"One of my remarks reported at

the end of last week, on the

currency it might end up as worthless as Ukrainian coupons,

he acknowledged it was no use

that developed countries lead the way in the comparative advantages that really matter in world trade today - capacity to innovate, to adapt and to organise. The opponents of a more open international trading system seem to fear the comparative advantages that weigh less and less in world trade, primarily the cost of labour.

The agreement is a testing ground for change in perceptions of competitiveness and trade policies

The North American Free Trade Agreement is, among other things, a testing ground for this profound change in north-south perceptions regarding competitiveness and

trade policies. Neither Mexican nor US nor Canadian authorities view the arrangement as a substitute or stumbling block for the international trading system sought in the Uruguay Round, but rather as a

complement or a building block. For that reason, the agenda and the procedures of Nafta closely parallel those of the multilateral trade nego-The distance covered by Mexico,

from resisting even the suggestion in the early 1980s that it join Catt to forming part of a free trade zone with the US and Canada in 1993, is nothing short of mind-boggling. Contrary to what could reasonably be expected, Mexican compa-

nies' opposition first to unilateral

trade liberalisation and then to joining Nafta has been mild. In contrast, North Americans have been alerted to the "giant sucking sound" of Mexico's comparative advantages drawing productive activities away from their northern neighbours, and important constituencies have been mobilised in opposition to Nafta. Rationality dictates that, while there will be winners and losers on both sides of the border, in the end all parties will be better off, thanks to the improved allocation of resources and enhanced growth promoted by freer trade. Opponents of the agreement score points by focusing only on the

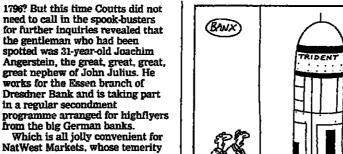
American perspective is enormous. Numerous Latin American countries are standing in the wings waiting to join what they perceive as an important building block for a more open international trading system. Failure to ratify the treaty would mean not only a missed opportunity for greater prosperity in Canada, the US and Mexico admittedly, at the cost of short-term disruptions for all concerned - but would also signal an unwillingness on the part of the electorate of the world's most important economic player to move closer to the international trading system envisaged in the original objectives of the Uru-

That would be a sad day not only for Mexico, and even all of Latin America, but also for the global community of nations.

Gert Rosenthal

The author is executive secretary. United Nations Economic Commis-sion for Latin America and the Caribbean (ECLAC)

OBSERVER



■ Winding up the CBI conference in Harrogate yesterday, director general Howard Davies was in unrepentant form. In hot water over one or two remarks he let slip last week to the Guardian,

Clearing house

■ Is the National Trust of the Cayman Islands, the well-known international tax baven.

money orders, rather than preservation orders, littering their

streets. Presumably that's why the Trust has taken to declaring "The National Trust is not a bank" in its latest radio advertising campaign.

Chile factor Michael Portillo, chief secretary

to the Treasury, may be one of the cabinet's Eurosceptics. But no one can accuse him of being parochial. Take the latest bee in his bonnet, about how Britain can learn a lot from Chile's private sector pension arrangements.

Portillo was in Chile in July and seems to have been mightily impressed by the state's encouragement of private sector pension schemes. Not only have the funds ballooned in value, to more than \$12.6bn, but they have taught the Chilean people to take an interest in privatisation and financial markets. Portillo was especially intrigued by the transparency of the operations the funds publish the value of their portfolios each day - and the low cost of their operations.

However, Chile may not provide all the answers to Portillo's quest to limit the future pension calls on Britain's welfare state. For a start, the funds have yet to start paying out pensions on a significant scale, and Portillo the politician might also have noted that Chile's

pension reforms have not done anything for the presidential chances of their ambitious architect - Jose Piñera - currently trailing hopelessly in the opinion polls.

Good taste ■ Just as the world appears to be

on the brink of a trend towards conservatism in fashion, Malawi has decided to drop its guard against the ideologically dubious; it has abolished its law banning women from wearing trousers. Women tourists arriving in Malawi dressed in trousers will,

in future, no longer be shown to a cubicle in order to change into skirts. The legal requirement so to do has now been abolished Presbyterian Life President Hastings Banda banned womer from wearing trousers in the central African state 20 years ago. Baring a female knee in public was illegal, as were, for men, flared trousers and hair touching the

Mind you, the kipper tie is still nassé, wherever you go.

Taking stock

■ Strange but true. The stock market in Seoul opened and closed 30 minutes late yesterday. The reason? Companies postponed the rush hour, in order to help college admissions candidates reach examination centres on time.

'This nuclear missile goes back to traditional values'

question of a single currency, did upset government. So I would like to take this opportunity to apologise to the Ukrainians for the unjustified slur I cast on the value of their coupons."

experiencing an identity crisis? Its mission – preserving the countryside and historic sites – should be clear enough. But there again, inhabitants of the Caymans

are more accustomed to seeing

FINANCIAL TIMES

Wednesday November 17 1993



Move to placate rightwing in wake of concessions

ANC and de Klerk in local power-share deal

By Patti Waldmeir

THE South African government and the African National Congress last night struck a deal to placate the white right wing, agreeing to guarantee the white minority a substantial share of

power in local government. The deal takes the form of joint proposals from the two sides for incorporation in the new constitution due to be agreed today.

It represents an important victory for the ruling National party, which has made considerable concessions recently over the issues of power sharing in central government and the devolution of power to regions, but held out on the sensitive issue of local government power-sharing. If the proposals are finalised in

within two years and will guarantee whites at least a 30 per cent share of the seats on each council and in some cases a third

or more of the council. The deal is aimed at rural towns in the ultra-conservative Orange Free State and Transvaal where whites are heavily outnumbered by blacks and fear the merging of white and black local councils will be a serious drain on the budgets of white towns.

Local council budgets will

require a two-thirds majority to pass, a figure which under most circumstances will give whites an effective veto in this area. Tension between black and white is most acute at local government level, because residential areas remain almost totally segregated, and the gap in the level of development between

white and black areas remains

huge. The white right wing has

been effective at mobilising opposition to the new constitution at local level, and negotiators from both sides were clearly keen to defuse this threat.

Councils elected at the first local government polls, which are likely to take place late next year or early in 1995, will remain office for three years. After that, a new electoral system will

Last night Mr Nelson Mandela ANC leader, and President F.W. de Klerk, were due to meet to approve the whole package of deals on which the new constitution will be ba

They were to try to resolve remaining issues, such as the key question of how power will be shared in cabinet, and the per-centage vote required to pass a new constitution in the constitu-

Opel cost-saving plan will aim to raise productivity

ADAM OPEL, the German subsidiary of General Motors, will tomorrow unveil a far-reaching cost-saving plan designed to enhance productivity at the group's German factories.

The agreement, due to be signed by the management and workforce at Opel's Rüsselsheim headquarters tomorrow morning. follows Volkswagen's radical proposal for a four-day week starting at the beginning of next

Opel's agreement, which will apply to its 50,000-strong workforce in western Germany, is a response to the same cost and competition pressures faced by its rival. It adopts a different approach, preferring to modify the terms of existing contracts

have cost taxpayers up to

Ecu50m over the past five years,

even though supply has often

The EU spent Ecu232.7m on

ucts for schoolchildren, but only

11 per cent of the population

The Court criticises "unne

essary and inappropriate*

humanitarian aid to Russia.

including the dispatch of 20,500

tonnes of rapeseed to Moscow

and St Petersburg when there

Specific criticism is levelled at

the Commission's decision to

spend Ecu12.5m to promote the

idea of the EU as host of the 1992

was no demand for it.

idising milk and dairy prod-

on the

Continued from Page 1

French colony.

under 19 benefit.

week. As such, it may evolve into a pattern for future settlements in German industry as employers ways of reducing costs without further redundancies.

"The purpose of the agreement will be to force through a linkage between productivity and an with the payment of benefits to employees," Opel said yesterday. The company was reluctant to disclose details of the agreement or to quantify the benefits of the proposed savings. But a report in a regional German newspaper suggested yesterday that the agreement contains three central

 Fringe benefits to rise more slowly than basic pay. Fringe benefits account for a substantial proportion of German companies'

Olympic Games at Albertville

and Barcelona, It also found

· irregularities in the way the con-

tract had been awarded to an

sion paid a third of the costs of

the opening ceremony at Albert-

ville and a half at Barcelona. But

"the idea of dual loyalty on the

part of athletes and of using the

Community flag when medals

were being awarded came to

nothing when some of the

national Olympic committees

The Commission defended

itself yesterday, saying the European flag was included among

other national flags and that the

inserted in official progra

of the Olympic committee.

refused to participate".

advertising agency involved.

income. In future Opel fringe benefits will still rise but at a lower rate.

The Christmas bonus enjoyed Opel workers will be paid in two stages, with the second instalment conditional on cost improvements and on a reduction absenteeism and sickness rates at the company's factories in Rüsselsbeim, Bochum and Kaiserslautern.

 Benefits paid to employees who are on short-time working not working a full week - will be restructured.

In return, Opel is understood to have guaranteed to increase production in German factories and reconsider plans to lay off manufacturing employees. The agreement has been reached after tough negotiations between

Financial watchdog criticises Brussels In another case, the Court of Auditors criticises the use of Ecul21m to fund training programmes in Saxony-Anhalt, most of which went to German compa-

> One company sent 80 hairdressers to Hanover during an eight-month period and claimed Ecul.1m, even though threequarters of the costs were for travel and subsistence.

> Had the money been paid according to Federal German standards, the cost would have been 30 per cent lower, the

Now that Maastricht has been ratified, the court ranks as a fully fledged EU institution with responsibility for giving assurnent in the Union.

FT WORLD WEATHER

German leader warns on iob losses

MR Rudolf Scharping, just five months in office as leader of Germany's opposition Social Democrats, yesterday challenged his party to seize the political middle ground and prepare itself to become the future German gov-

the four-day SPD party conference. Mr Scharping warned that the surge in unemployment was leading to rising crime and growth in support for parties of the extreme right. He called for a party policy focused on job creation through modernisation of the German economy, a fair reform of the welfare state, and "a more intelligent organisation

He urged delegates to end inner-party strife and to focus on a clear set of practical alternative policies before next year's elec-

reception from delegates, who are concerned about any hint of diluting the benefits of the welfare state or strictly linking wage

for unemployment - now forecast to top 10 per cent, or more than 4m, in Germany next year lay not with high wages but other factors: the tough monetary policy of the German Bundof the D-Mark, and the failure of both government and industry to

leader of the party and spokes

Speakers from the floor claimed that more jobs had been lost in German industry as a result of the devaluation of sterling and the Italian lira than by any trade union wage deals. There was also widespread support for calls to reduce working

Mr Scharping insisted not wages that were too high but the extra costs of labour, such as pensions' and unemployment insurance. He wants part of those costs shifted to direct taxation. above all to pay for the emergency labour market programmes of job creation and retraining in east Germany.

opposition

In a keynote speech opening

Increases to productivity.
Instead, they agreed the blame through the fog.

nk, the effective revaluation promote research and innovation.

Mr Oskar Lafontaine, deputy man on the economy, launched a sharp attack on the Bundesbank for maintaining high interest rates, and thereby driving up the D-Mark. "An exporting nation cannot behave like this with its monetary policy," he said.

hours to tackle unemployment.

Even before the conference began in the spa town of Wiesbaden, the main resolution on economic policy had been that wages in east Germany must be linked to productivity to pro-

He supported calls for shorter working hours, but warned that workers must accept wage cuts

BOC has become a victim of its own

largesse. Its policy of announcing dividends in advance seemed sensible during the 1980s, but low growth and low inflation have caught the company on the hop. The pay-out has been rising faster than trading performance justi-fied: While that helped the shares outperform through recession, the price was paid yesterday. An unexpected break in BOC's 20-year record of dividend growth - the company said next year's dividend will he unchanged prompted another 5 per cent fall in its already sickly shares. Perhaps announcing dividends in advance is not such a good policy for the uncer-

Yet dividend cover of 1.9 times should not cause beardroom beadaches at the bottom of a normal cycle. The dividend decision thus adds a further note of caution to the profits warning of the summer. Despite its reputation as an industrial bellwether, BOC has problems entirely its own. The collapse of Forane, its main anaesthetic has been severe since US patent protection expired. Delays in introducing Suprane, the next genera-tion anaesthetic, have added to the pain. BOC is understandably worried that more generic competitors could enter the fray. The big prize remains an upturn in industrial gases, which account for 70 per cent of sales. But gases do not rise early in the economic cycle. Other than slightly higher vol-umes in the US, the outlook remains unclear. While BOC's prodigious cash generation should limit the downside, it is difficult to discern the upside

Germany

After such a gloomy report from Germany's five wise men, it is natural to look for signs that the Bundesbank is taking more account of the domestic economy when setting interest rates. In marking the D-Mark down yesterday, the exchange market thought it had found one in the nine basis-point cut in the central bank's money market repurchase rate. It may be jumping to conclusions.

Mr Hans Tietmeyer has been fortunate in that inflation pressures have lessened somewhat since he assumed the presidency and money supply growth is within reach of this year's target. But that does not necessarily mean that he is a softer touch than his predecessor or that inflation is no longer the bank's chief concern. On average, the repurchase rate has fallen just

THE LEX COLUMN

FT-SE Index: 3097.5 (+4.2)

BOC under pressure



four basis points in each of the past three weeks. That is hardly throwing

The Bundesbank has, though, given other European countries leeway to cut their own rates. Given the relative strength of consumer demand, UK rate prospects probably still depend on the extent of budget tax increases, but Denmark and Holland have cut rates this week. France may follow soon. The question is whether the D-Mark recovers once other rates have adjusted. A weakening currency. would give the Bundesbank little incentive to lead the way.

De La Rue

De La Rue's impressive cash genera-tion is not confined to the money spinning from its printing presses. Circum stances have conspired to make the last half particularly favourable. Yet the underlying rate of cash inflow is such that the decision to tap shareholders for £160m two years ago looks even odder now than it did at the time. The acquisitions which were to follow Inter innovation have yet to materialise, and idle talk of share buybacks only emphasises the embarrassment of riches which the company's £200m cash pile has become. Still, the management's impressive track record deserves some patience and negotiations to buy privately owned husinesses can be protracted. It would make little sense to return money to shareholders now, only to ask for it back in two years' time.

There are two obvious areas for expansion. Privatisation of banknote production in Europe could bring in useful extra revenue. Given the lukewarm attitude of the Treasury and the Bank of England to market-testing their own services, however, progress may well be slow. In any event, with banknote production only growing slowly, such contracts would not solve the problem. Currency-handling machinery is the longer term hope. Expansion there will depend on how long it will be before the banks get fed up with paying clerks large amounts to count money.

BAA has not quite perfected the art of the free lunch but the ability to touch 80m captive airline passengers for a few quid each year and a lax pricing regime for airport charges represents the next best thing. Though regulated, BAA's return on capital must make many a utility company director's eyes water. Yet the official price cap on BAA will ease further over the next three years before a new regime is negotiated for 1997. BAA will doubtless continue to plead for lemency given the need to spend some film on Heathrow's fifth terminal.

But even if the regulator grows aggressive, BAA could still emerge smiling, since lower fees would only enhance Heathrow's appeal as an international hub. Regulated activities also represent an ever diminishing proportion of revenue, as the company continues its thrust into retailing. By 2000, airport charges may account for as little as 20 per cent of income.

With UK passenger traffic growing by 4 per cent a year and expansion opportunities emerging at overseas airports, BAA will remain one of the few genuine growth stocks in the FT-SE 100 index. But regarded as a utility BAA also has defensive appeal, which not even its curious pretensions to develop factory outlet retailing.

General Accident

General Accident should know better than to deliver results in line with market expectations. Sun Alliance fell 5 per cent in September after decent interim results. Respectable thirdquarter results from GA - a £10m flood loss in Canada aside - prompted similar treatment. Having outperformed the sector by 10 per cent over the past six months, and run up to a 30 per cent premium to net assets. GA was heading for a fall Such volatility is the mark of a sector which has all the good news in the price.

Europe today

More very cold air will be drawn from the CIS causing wintry conditions throughout northeastern Europe. Freezing will reach as far west as central Germany. Snow showers and cloud will ocevail in the cold air mass. especially in Scandinavia and south-ea Europe. Snow depths will reach 30 centimetres in parts of Hungary and former Yugoslavia. Verv unsettled and unseasonably cool conditions will remain in the eastern Mediterranean. Snow will fall in Turkey, the Ukraine and Romania, Greece and Italy will have improving conditions with isolated soells. Spain, France and the Alos will be dry and sunny with the highest temperatures near 18C in southern Spain. Weak disturbances will keen the British Isles mainly overcast and dry except for rain or drizzle on the Alfantic

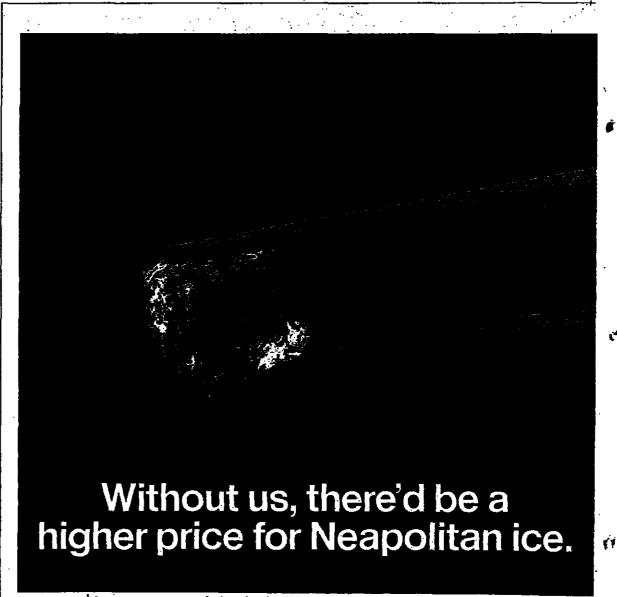
Five-day forecast

Wintry conditions will settle in northern and eastern regions giving daytime temperatures below freezing as far west as the Benefux. Severe frost will occur from Germany to Romania. An upper air disturbance will bring snow to central and northern Europe. The south-east will remain cool and unsettled.

TODAY'S TEMPERATURES Cardify Chicago Cologne D' Salos Dalos Dalos Delhi Dubilin Dubilin Dubrovi The best connection in Germany

Lufthansa

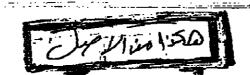
Rio Riyadh Rome S. Frisco Seoul Singapon Strasbour Sydney Tangker Tel Awy Tolyo Tel Ayy Tolyo Tunis Vanice Vienza Warsaw Washingt Waltingto Whinipeg Zurich



Goldstar, a Korean company which is a leading worldwide producer of electrical consumer goods, has been coolly appraising the European refrigerator market from its new manufacturing site in Naples. One key decision has been made - they won't be going East for condensers. Back in Korea, Goldstar fit their no-frost fridges with locally-made copper tube skin condensers. However, their Naples management found Bundy's zinc coated tube condensers considerably more efficient and cost-effective. The resulting contract requires Bundy to supply 200,000 condensers in the first year for the European market.

It should be the start of a very warm relationship. Bundy is one of TI Group's three specialised engineering businesses, the others being John Crane and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.







Tiphook

dives on

disposal

By Andrew Bolger in London

SHARES in Tiphook, the

container leasing and transport rental group, plunged 40p to 58p yesterday as fears grew that a disposal of assets by bankers

will leave little or nothing for

Tiphook said on Monday that

its bankers were in talks about

the possible sale of its container

division, the largest part of the

A US bonds analyst said: "It

looks like the banks are giving

up and going for an orderly dis-

posal of the group's assets. Shareholders will be completely

wiped out. It's a very sad story.

A UK transport analyst said:

"Bondholders are particularly afraid that that they will be left

holding a baby they don't really

Analysts suggested Tiphook's fleet of 495,608 containers might

fetch £800 (\$1.2bn) each, produc-

ing roughly £400m. Tiphook has

17 per cent of the world's con-

tainer rental fleet, second only to

Genstar, a division of the General Electric Corporation of the

US. Tiphook's 25,065 truck trail-

want – the trailers business.'

ordinary shareholders.

fears

SCA rebounds out of the red

SCA, Sweden's second largest pulp and paper group, rebounded to a SKr788m (\$97.2m) profit after financial items in the first nine months from a SKr5m loss in the same 1992 period. Page

BAA ahead 9% midway

BAA, the privatised British Airports Authority, reported an 8.7 per cent rise in first-half pre-tax profits to £237m (\$353m), from £218m last time.

BOC, the UK industrial gases and healthcare group, disappointed investors by not increasing its dividend for 1993-94. Page 18

Baxter International, the troubled US medical supplies group, announced a broad-ranging restructuring. Page 20

ANZ helped by smaller provisions
Australia and New Zealand Banking Group made A\$246.5m (US\$161m) after tax and abnormal items for the year to end-September, against a loss of A\$579m. Abnormal items were A\$213.2m, compared

One-way bet on China

with A\$0.9m. Page 21

Champion Technology can do no wrong. Founded in 1987 and taken public in August last year, Champion has so far been a one-way bet on China's future. Page 22

GA in the black General Accident, the Perth-based composite insurance company, reported pre-tax profits of £206.1m (\$307m) for the first nine months of 1993, against a £35m loss last time, but the shares fell. Page 24

Improved performances from all five divisions helped FKI, the UK electrical engineering group, to a 41 per cent interim rise. Page 25

Ms Benazir Bhutto, the Pakistan Prime Minister, is reviewing recent proposals to tax the farmers. The decision would not only affect the rich and wealthy, but could also affect the poorest landowners, forcing them to move to the cities. Page 28

One of the curiosities of the sharply rising German stock market in recent months has been the perfor mance of shares in AMB. Germany's second biggest insurance group. This year AMB's shares have nearly doubled. The rise has a lot to do with the fact that 800 the insurer has become a "special situation". In short. AMB is at the centre

of an unresolved takeover battle. Back Page PowerGen buys exploration blocks PowerGen, the UK electricity generator, made

its first move into oil and gas production. Page

24 Matav

18 Medico

Nitech

Morgan Stanley

Market Statistics

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Companies in this issue

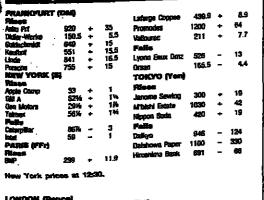
Arjo Wiggins BAT BOC Backer Int'l Biograce Inti

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20 Volvo 27 Wood Chief price changes yesterday

17 VTR

24 Uni Storebrand



Feiks Avesco SOC (1 (2009) 318 921 570 78 187 75 442 153 115 168 100 Colorgen David Lloyd Drew Scien Gen Accident

Honda falls 60% and

cuts full-year forecast

DESPITE a buoyant market for motorcycles in Asia, Honda Motor suffered a decline of about 60 per cent in pre-tax profits for

the first half of 1993. Honda said that depressed demand in Japan and Europe, a slower than expected recovery in its US business and the adverse impact of a high yen had all contributed to the deterioration in performance.

fell 62 per cent to Y11.1bn (\$105m), from Y29.2bn, on sales down 6 per cent to Y1,256bn. On a consolidated basis, pre-tax profits dropped 60 per cent to Y22.5bn, while sales were 12.6 per

The outlook remains grim and Honda has revised down its forecasts for the full year. Consolidated sales are now expected to total Y3,744bn rather than the Y4,000bn forecast in May.

Net profits are expected to

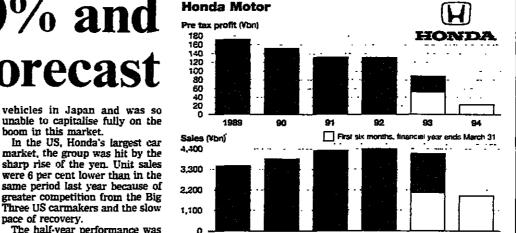
come to Y17.3bn compared with an earlier estimate of Y23bn. While the weakness of the economy was an important factor behind the downturn in sales of motorcycles and cars, Honda also suffered from a poor product mix. Earlier in the year its high-selling Accord met consumer resistance before an autumn model

Honda was also late to introduce a line-up of recreational unable to capitalise fully on the boom in this market. In the US, Honda's largest car market, the group was hit by the sharp rise of the yen. Unit sales were 6 per cent lower than in the

greater competition from the Rig

Three US carmakers and the slow pace of recovery. The half-year performance was helped by strong demand for motorcycles in Asia, including China, where Honda expects to increase local production of motorcycles from 380,000 units in 1992 to 580,000 this year.

Production of motorcycles in Asia (excluding Japan) is expected to total 2.73m units this year,



or 64 per cent of Honda's worldwide motorcycle production. in the Asean countries, exports January and October.

deal", explained the concerns of Swedish investors but did not ask

for a renegotiation of the deal,

The French government contin-

ues to resist changes to the

be overcome by clearer explana-

tion of the controversial points

and emphasis on the industrial

Volvo shareholders are opposed

to the golden share because it

could be used to reduce their vot-

logic of the deal.

according to French officials.

To deal with the continuing dif-

ficult business environment Honda is limiting capital expenditure to Y145bn, compared with a projected Y180bn, cutting development costs and keeping a tight

France tries to reassure Volvo shareholders



French minister Gérard Longuet (left) met Sören Gyll of Volvo

By John Ridding in Paris

MR GERARD LONGUET, the French industry minister, yesterday held talks with Mr Sören Gyll, Volvo's chief executive, on how to reassure Volvo shareholders who are opposed to the planned merger between Renault and the Swedish motor group.

Opposition from Volvo's shareholders, which has centred on the lack of a clear timetable for the privatisation of the merged group and the French government's plan to retain a golden share in the company, threatens the merger of the two groups' truck and car activities.

Earlier this month. Volvo postponed until December 7 a shareholder vote on the link-up. Mr Gyll, who admitted last week that Volvo's shareholders

were "completely against the

ing rights from 35 per cent to 20 per cent in the case of the dissolution of the merged group's holding company.

But Mr Longuet stressed that

the proposed golden share would never be used against Volvo and was necessary to defend the merged group from a hostile

Industry observers said, however, that verbal reassurances on the golden share and on the French government's plans to privatise the merged company next year were unlikely to satisfy Swedish shareholders.

merger agreement and insists that shareholder opposition can They speculated that opposition to the deal could be fuelled by the two groups' results for the first nine months of the year which are due to be released

Volvo is expected to show an improvement over the losses incurred in 1992, while Renault is expected to announce a steep downturn in profits for the period.

Renault will launch its new Laguna upper mid-range passenger car in January next year. The Laguna, a five-door saloon, will replace the Renault 21, the com-

Telekom was the first company

ers, the biggest fleet in Europe, are more difficult to value, but could fetch more than £250m. Tiphook's debts exceed £1bn. Disposals proceeds would be more than enough to pay off the total secured debt of £480m owed to the group's banks, led by National Westminster and Com-

merzbank of Germany. However, unsecured US bondholders, who have lent Tiphook \$700m in the past year, might only receive 45 to 60 cents in the

dollar. The US bonds were yes-terday trading at more than a 30 per cent discount to face value. Bond market experts said Tiphook was likely to be deluged by litigation from bondholders, over-confident assertions about the company's prospects. Tiphook's debt was downgraded

to so-called junk-bond status within months of issue. Tiphook said on Monday that the group and some directors were the subject of four shareholder class actions in the US,

Analysts were concerned at the short-term nature of the £32.3m which Tiphook has been granted by its principal banks. One said: "It looks as though they are just drip-feeding it with enough cash to allow a disposal of the assets." Tiphook's market value has collapsed from £636m in 1991 to £64m at last night's close.

Stet enters final round of bidding for Matav

Italian state telecoms group joins Bell Atlantic to bid

By Nicholas Denton in Budapest

STET, the Italian state telecom company, has emerged as an unexpected, last-minute contender in the bidding for a 30 per cent stake in Matay, the Hungarian state telecommunications

group.
Stet International has teamed up with Bell Atlantic, the US regional telephone company. Their consortium was one of four short-listed yesterday by the Budapest authorities to go through to a final round of bids

for Matav in two weeks' time.

against German, French and Spanish operators est privatisation to date. The

Italian-led group is up against three consortia led by Deutsche Telekom, France Telecom and Telefonica, respectively the German, French and Spanish national operators.

Preliminary indicative bids for

the 30 per cent stake in Matav which the government is selling are understood to be in the region of \$500m. Rivals believe Stet's offer is towards the higher Matav is eastern Europe's larg- end of the bidding range.

However, Mr Szabolcs Szekeres, chief executive of the AVRT state holding company which controls Matav, yesterday moved to dampen expectations that the

price would go up in the next round of bidding. "We don't expect that it will go up," he said. Privatisation advisers stressed that the four preliminary bids were not wholly comparable. Nor was a ranking in the first round a reliable guide to the final out-

One of the rivals admitted that Stet appeared to have established a benchmark on price. The Italian company had undermined the assumption that Matav's privatisation was a straight fight between Deutsche Telekom and France Telecom.

Hungary's political and economic ties with Germany are believed to be working to the advantage of Telekom which has attracted Cable & Wireless of the UK and Ameritech of the US as

to bid, and it was followed by France Telecom, which has supplied Matay with payphones. Stet initially entered into negotiations with France Telecom but the parties failed to agree on control of a common consortium and Stet decided to lead a bid of its own.

consortium partners.

of the Matav privatisation calls on NM Rothschild, adviser to the government, to prepare by November 22 final documents which will clarify the degree of management control to be exercised by the winning consortium. World stock markets, Back Page

which they would defend.

The schedule for the next stage

Barry Riley

Italy adds another dimension to debt



The prolonged bull market in bonds has generated many curious phenomena, not the least of them being yesterday's 2 trillion lire (\$1.2bn) issue of 30-year Italian government bonds.

Any rudimentary credit-scoring test of Italy would give poor results indeed. Existing commit-ments? More than 100 per cent of GDP - fail. Budget shortfall? Almost 10 per cent of GDP - fail. Stability of domestic arrange ments? Only recently changed prime minister, tricky election coming up next spring, serious medium-term risk of national

break-up - fail.
Perhaps somebody, somewhere, believes that the Italian government, or its several successors. will repay the loan in the year 2023 with money that will then buy more than a cup of espresso coffee. Most do not, but then they do not seriously expect to be holding the bonds in 2023, only during the next few months. The point about ultra-long bonds is that they are volatile

instruments which offer new opportunities to players in the financial markets. In a bull market investors have made money and have built the confidence to step up their level of risk. Given that the average length of the Italian government's debt is about three years, 30-year bonds introduce a new

dimension for sophisticated specniators. Italian bonds have enjoyed a spectacular run. A year ago the 10-year government bond yield hit nearly 14 per cent, now it is

down to 9.4 per cent. The total return so far in 1993 has been close to 30 per cent. Politically and economically the country has come back from the brink (but is still viewed suspiciously by the credit rating agencies). The short average maturity of the massive \$1,000bn debt would

normally be regarded as a disadvantage, but with interest rates tumbling it has actually proved a blessing in discuise Through refinancing, the cost of servicing the debt is coming down fast, so that although the primary budget deficit is worsen-

Any rudimentary credit-scoring test of Italy would give poor results indeed

ing, the overall deficit (including the enormous, but declining, amounts of debt interest) is

Why, therefore, start to lengthen the debt now? Logically because the scope for further falls in interest rates is seen as slight. Certainly, rates are low by past standards: curiously, Italy's 10-year bond yields have tumbled lower outside the European exchange rate mechanism than they were while the country was supposedly converging towards German-style inflation rates.

Temporarily, inflation at 4 per cent is no higher than in Germany, but inflation as low as this makes the decision to issue 30year debt at 9.87 per cent look very strange. The implied real

interest rate is well over 5 per cent (albeit reduced for foreign investors who pay a 12% per cent withholding tax) and an overborrowed nation cannot travel down such a financial path for long: if the real interest rate is greater than the economic growth rate, arithmetic dictates that the burden of debt will go on increas-Governments that truly believe

in low inflation will never issue long-dated fixed interest bonds with high coupons. The British government has been more logical in this respect, having been reluctant to issue gilts in recent months with longer than a 15year maturity. Inflation-linked bonds would be a more logical alternative for the Italians, but only if they could be issued on real yields of between 2 and 3 per

Of course, in the context of the formidable total of Italian government debt a mere \$1.2bn (little more than a thousandth of the total) does not count for much: a billion here and a billion there does not, after all, add up to real money. Perhaps we should regard it as a marker or a status symbol, or just a minor instru-ment for the global bond desks to

The 30-year bond therefore looks like a diversion. Surely the real question is how the Italian national debt will eventually be restructured; the country's credi-tors should bear in mind the uncomfortable thought that by ceasing to pay interest the Italians would put their budget more or less back into balance (some-thing that is far from true for the UK, for instance).

We can be sure that there will be action long before 2023.



ALL DERS

Management Buy-Out LED AND ARRANGED BY Prudential Venture Managers

Flotation CONGRATULATIONS TO THE MANAGEMENT TEAM

Management Buy-Out LED AND ARRANGED BY

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Touris

for boo te Socia ir Gyul ects fo

to form ae form ie MDF Demo Viktor which stantial voting eaving tional osition

bment gov-

duced would

Ericsson has been quick to

It dominates the European

GSM digital cellular standard

and can supply to all the lead.

ing different standards adopted

by telecoms authorities around

the world. This flexibility and

geographical spread has given Ericsson competitive advan-tage and it expects to do well

when new cellular wave.

lengths are licenced in the US

next year without a common

If industry projections are

right that cellular telephone

subscribers worldwide will

grow in number to as many as

120m by 1998, Ericson looks well placed to benefit

The company appears to face

a tougher time in fixed tele-

a tougher time in their was phony systems. But it has been spending heavily on ingrading its transmission, switching and

network management systems and developing new broadband systems to keep up with moves towards single line multi-

media delivery of telephone,

computer and television ser-

vices. And it has entered part. nerships in different areas with

Hewlett-Packard, Texas Instru-

ments, General Electric and

Toshiba to ensure it is not out flanked by its rivals.

collect the money," said Mr Ramqvist. "We have just seen

the beginning of competition. But we will not easily be

iast year, the company said

Group gross operating income rose to NKr18.19bn from NKr15.22bn lest year as

net operating income advanced to NR r16.79bu from

NKr13.79bn. During the nine-

achieved realised gains on

securities of NKr2.42bn of which NKr1bn was made dur-

ing the third quarter. Unveilised gains reached NKr4.05m

Uni said its equity capital

increased by NKr466m to

NKr2.56bn while its equity to debt ratio reached 7.81 per

cent, compared with the legal

month interim, the group

knocked down."

"We cannot relax and just

standard being applied.

develop digital systems.

Ericsson retains its Swedish style

But the group's background has drawbacks. Hugh Carnegy reports

Lars Ramqvist: 'No-one

ish background.

world.

such as systems management.

On top of these challenges, Mr Ramovist is concerned that

Ericsson suffers from its Swed-

It lacks the large home mar-

ket enjoyed by its main rivals.

It swallows about 60 per cent

of Sweden's export credits, but

still has access to only a frac-

tion of the support available to

competitors. Sweden cannot

muster the political clout of

the US or France, a factor that

can be important in winning

big state contracts around the

However, Bricsson has

carved out an impressive posi-

tion in the fast-growing area of

mobile telecommunications. It

now claims 40 per cent of the

world's 20m-strong installed

By Karen Foest in Oslo

UNI Storebrand, Norway's

biggest insurance group, yes-

terday reported nine-month

profits of NKr3.84bn (\$536m),

against a loss of NKr3.59bn in

it attributed the sharp turn-

round to a positive develop-ment in interest rates and

NKr2.73bn in life and pension

insurance for life insurance cli-

ents, the consolidated nine-

month pre-tax profit reached

NKrl.11bn against a loss of

After distribution

the same period last year.

gains on securities.

WHAT MADE ONE

MARKETPLACE GROW BIGGER

THAN ALL THE REST?

market for equity indexes. The list

the world's largest marketplace - by

ger in performance bond dollars

an enormous margin. Four times big-

CHICAGO MERCANTILE EXCHANGE The Exchange of Ideas

New ideas have made the CME

goes on and on.

Uni Storebrand back

in black at nine months

NKr3.8bn in the same period requirement of 4.25 per cent.

deposited than any other futures

exchange in the world.

other marketplace can rival.

power growth.

world best

The result? Liquidity that no

Efficiency that no smaller market can

match. And the resources to keep

on producing the innovations that

largest marketplace. And because it

is the higgest, it serves the whole

ideas made the CME me world's

ential share structure ensures

that the joint control of the

powerful Wallenberg family

and Svenska Handelsbanken is

Yet Mr Lars Ramqvist, the

chief executive, is less than

euphoric about the company's

prospects in a business under-

going regulatory and techno-

logical changes.

Nothing is for free. I amvery pleased with what we

have achieved, but I am also

realistic. No-one is safe in this

His worries are multiple. A

big concern is that Ericsson

can continue to grow fast

enough to support the large

commitments to research and

development required to keep

up in the fast-changing tele-

communications world. The

group spends 22 per cent of its \$7bn annual turnover on R&D

- compared to the 11 per cent

spent by Alcatel, which has

investment, Ericsson must stay

on its toes to hold its place in

the face of developments such as the push to establish com-

munications super-highways

and the emergence of network

operator powerhouses such as

the \$30bn merger in the US

between Atlantic Bell and TCI,

Ericsson must contend with newcomers to the equipment

supply business, such as com-

puter companies which can

challenge suppliers in areas

L8,500bn by the year end.

The deterioration at Eni-

Chem means it will have to be

recapitalised by Eni under Ital-

ian law. However, Mr Marcello Colitti, EniChem's chairman,

said fresh capital would have

to await further results of the

Mr Colitti noted that any

injection of funds would have

to convince the European Com-

mission in Brussels that it did

not represent illegal state aid. EniChem intends to dispose

of non-core activities and slim

down its business to concen-

trate on ethylenes, polymers

group's restructuring.

and elastomers.

the cable operator.

Even with that level of

twice Ericsson's turnover.

business," Mr Ramqvist said.

unsbaken.

INTERNATIONAL COMPANIES AND FINANCE

ricsson, the telecommunications company, provides a reassuring pic-

ture for Swedes worried by a

swelling tide of foreign influ-

ence over the country's indus-

Against examples such as

the proposed merger of Volvo's

cars and trucks with France's Renault, and the takeover of

Nobel Industries by Akzo of

the Netherlands, Ericsson

stands out as a company that

has flourished in a highly com-

petitive industry and which

remains firmly under Swedish

Tomorrow Ericsson, a domi-

nant force in world mobile tele-

announce nine-month results

expected to show it well on the

way to its target of full-year profits of at least double last

In revenue terms, it ranks

sixth among the world's tele-

communications equipment suppliers, after Alcatel of France, Slemens of Germany,

AT&T and Motorola of the US

and Canada's Northern Tele-

Ericsson has seen its share

price more than double this

year, closing yesterday at

SKr408. Along with Astra, the pharmaceuticals group, it has been a driving force in this

year's bull market on the

True, 44 per cent of the com-

pany's capital is owned by for-

eign investors. But its prefer-

ENICHEM, the chronically

loss-making petrochemicals

subsidiary of Italy's Eni energy

and chemicals group, expects

this year's losses to reach

The company, which has

seen a severe deterioration in

its financial performance in

spite of cost-cutting efforts,

lost L1.052bn in the first half of

this year against L721bn in the

About L1,000bn of this year's

losses will stem from financial

charges on its large net indebt-

edness, expected to be about

ideas. Pattern-breaking, funda-

mental new financial tools. Tools that

changed the way world markets work.

It was the Chicago Mercantile

futures. It was the CME that developed

Exchange that launched financial

the Eurodollar contract - a single

instrument that is bigger, in actual

entire futures exchange. A computer-

trading system. The world's largest

ized round-the-world, round-the-clock

contracts owned, than any other

about L2,200bn (\$1.3bn).

same period last year.

EniChem sees deficit

widening to L2,200bn

Stockholm stock exchange.

year's SKrl.3bn (\$160m).

communications,

trial bastions.

control.

BAA gains

8.7% on

retailing

Aerospace Correspondent

RETAILING has become the

largest single source of income

for BAA, the privatised British

Airports Authority, which yesterday reported an 8.7 per cent

rise in first-half pre-tax profits

to £237m (\$353m), from £218m

Apart from a 10 per cent

increase in retail income, the

higher earnings reflected

healthy growth in air travel,

especially in the UK, and the

company's continuing drive to

Sir John Egan, chief execu-

tive, said the company was expanding its international

airport activities in the US,

Europe and Asia through con-

sultancy contracts, joint ven-tures and equity stakes in

other airport operations. However, with a 70 per cent

share of the UK airport busi-

ness, BAA was not interested

in investing in new British ventures following the govern-

ment's proposals to privatise

local authority airports, Sir

John emphasised. Instead, BAA wanted to concentrate on

Sir John confirmed BAA was

interested in proposals to pri-

vatise Rome's Fumicino air-

port, adding that the company

had been approached by inter-

national airport authorities

involving 20-30 airports to dis-

cuss co-operation and partner-ship ventures. "Many foreign

governments are interested in

bringing private capital in

their airports systems and they are looking at our suc-cessful example." he said.

Sir John has been the main

architect of BAA's drive into

retailing which accounted for

£250m of the company's first-

The contribution from retail-

ing was higher than the £244m

income earned from aircraft

landing charges. In spite of a

4.6 per cent increase in passen-

ger numbers, income from air-

craft landing charges fell 0.7

per cent because of the regula-

tory pricing formula. Group

revenues were 16.5 per cent up

on the first half last year.

London SE, Page 33;

Lex. Page 16

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Group of Companies, has enjoyed accelerated growth since the

beginning of the year. The Fund invests in European Warrants and offers investors a geared exposure to European

half revenues of £627m.

international expansion.

strong

By Paul Betts,

last year.

control costs.

recession better than many of its competitors. It increased its

sales to SKr11.2bn from

SKr9.2bn over the nine

months, helping to lift group

sales by 8 per cent to

The hygiene unit accounted

for more than half of group

operating profits of SKr1.53bn

with a 28 per cent increase to

and new product launches have helped it to hold prices

and lift market share, in spite

Graphic paper swung to a

SKr76m operating profit from a

SKr292m loss as sales grew 9

per cent to SKr4.15bn. The

unit's Swedish pulp mill

facts of recession had been dif-ferent from the impression of

recovery. The UK recovery had

been patchy. Led by retail

sales, the upturn had not

reached the industrial sector.

Engineering output was down

12 per cent to 15 per cent since

1990, and steel was down 13 per

cent. The US was recovering

slowly with some acceleration

since the end of the financial

year. Japan was drifting, Ger-many static, Australia deterior-

ating and South Africa unset-

The gases division increased

turnover by 16 per cent to

£2.29bn, while operating profits

rose 5 per cent to £304m. Sales

of liquefied gases grew in most

markets, but demand for com-

pressed gases for cutting and welding remained sluggish.

so far this year - Pta70bn on

building petrol stations and on

refining activities. A further

Pta40bn has been allocated to

gas distribution and to finance

the increased shareholding in

Repsol is finalising the pur-chase of Enagas, Spain's

monopoly industrial gas sup-

plier. The deal will create one

of Europe's biggest natural gas

Gas Natural.

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MSCI European Index

European Warrant Fund

ADDRESS

tled by political changes.

of intense competition.

A bigger marketing effort

SKr822m.

SCA, Sweden's second largest

pulp and paper group, rebounded to a SKr788m

(\$97.2m) profit after financial

items in the first nine months

from a SKr5m loss in the same

market conditions had wors-

ened during the autumn, and

said full-year profits would

now be at the bottom of the

SKr1.1bn to SKr1.3bn range it

autumn has been substantially

weaker than expected, with

continued price declines for

corrugated board and testliner,

as well as pulp and fine

By Paul Abrahams in London

BOC, the industrial gases and

healthcare group, yesterday

disappointed the City by not increasing its dividend for

1993-94. The company announces its dividend in

BOC shares fell 30p to 596p

Mr Patrick Rich, chairman,

said: "We've paid a handsome

dividend during recession. We

don't know what the future

holds in terms of inflation and

industrial growth, so the board

decided to wait a moment before dividend growth was

He said improvement in the

world's industrial gases indus-

try will lag a more general

economic revival. The outlook

By Tom Burns in Madrid

REPSOL, the Spanish energy

and chemicals group, yester-

day reported a 27.5 per cent

rise in operating profits to

Ptal12.6bn (\$834m) for the first

nine months of 1993. Net

income in the third quarter

improved 8.2 per cent to

The chemical division finally

INVESCO

sthould note that the value of shares can fall as woll as rise and you

may not get back the amount you originally invested.

Past performance is not necessarily a guido to the future and in

particular, a warrant often involves a high degree of gearing. This means

that a miatively small movement in the price of the security to which the

of the warrant.

INVESCO INTERNATIONAL

LIMITED

INVESCO House, Grenville Street, St. Helier,

Jersey JE4 8TD, Channel Islands

Telephone: (0534) 73114 Facsimile: (0534) 68106

warrant relates, may result in a disproportionately large m unfavourable as well as favourable, in the price

returned to profit in the third

on heavy turnover.

"The market trend this

forecast in August.

However, it warned that

1992 period.

SCA tones down forecast

despite strong third term

papers," it stated. It stressed

there was "great uncertainty"

about the timing of any recov-

The group, which has just

raised SKr1.4bn from a rights

issue, said third-quarter profit

amounted to SKr238m. This

compares with a SKr99m loss

in the same 1992 period but is

lower than profits of SKr271m

and SKr279m in the first two

SCA has relied on cost-cut-

ting, the weaker Swedish

krona, lower raw material

costs and volume growth

within its Mölnlycke hygiene

division to offset increasingly

fierce competition in many of

Mölnlycke has helped SCA

weather the pulp and paper

BOC leaves payout unchanged

for business investment looks

sluggish in leading markets". BOC reported a 56 per cent

rise in pre-tax profits, to £337m

(\$503m) from £215m, for the year to September 30. But this

was flattered by the absence of

exceptional charges - goodwill write-offs on disposals amounted to £117.1m in the

previous year. Turnover

increased by 13 per cent to

£3.23hn, against £2.86hn, while

operating profits rose from

currency movements, in partic-

ular the strength of the US dol-

lar. The changes added 10 per

cent to turnover and 6 per cent

Mr Rich said the economic

environment had been much

harsher than expected. The

quarter, although its results

over the nine months show a

The gas side, which now

owns 45 per cent of the

national domestic gas distribu-

tor, raised its third-quarter

profits by 63 per cent to Pta27bn following higher vol-

ume and reflecting Repsol's

increased equity in the distri-

Repsol has invested Pta138bn

Repsol rises 27% to Pta112.6bn

The results benefited from

£412m to £420m.

to operating profit.

loss of Pta3.7bn.

bution company.

quarters of 1993.

its main markets.

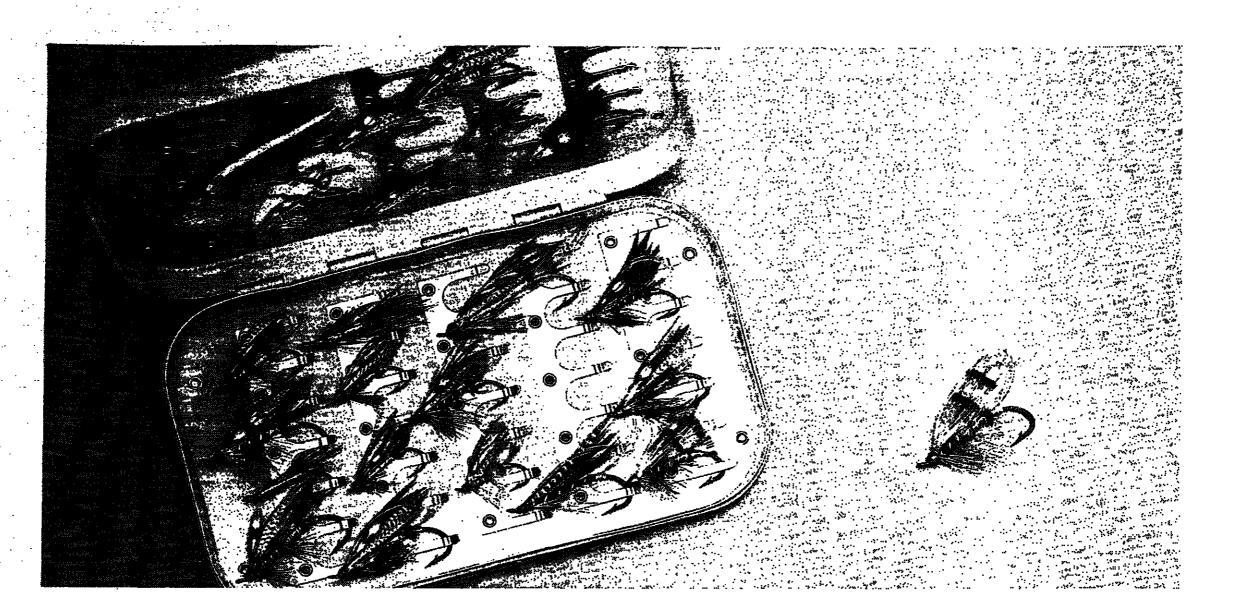
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For the best advice, talk to someone who understands local conditions.

Trusted advice. It's the most valuable quality in a professional relationship and it's at the core of the approach that Merrill Lynch offers its clients.

Advice that stems from a simple philosophy: to link market to market, capital to companies and people to opportunities.

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With offices in 20* centres in Europe, we're at the heart of Europe, helping an increasing number of individuals, companies, banks and governments.

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In the Euromarkets, we have consistently anticipated and created opportunities for our clients. For example, we have worked closely with central banks and

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Our advice and transactional strength in the privatisation field has also been increasingly in demand. For example, we advised on the privatisation of the Hungarian tobacco industry where transactions were concluded with B.A.T, Philip Morris, RJR and Reemtsma, and we acted as bookrunning manager for the U.S. offering in the recent privatisation of BNP.

And we have built one of the most comprehensive private banking networks in the world.

All this led to our being named "Bank of the Year" by International Financing

Review in 1992.

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the

sets record

as Dayton

By Frank McGurty

J.C. PENNEY.

Hudson slips

fourth-largest US retailer, maintained its strong sales

and earnings momentum in

the third quarter, while Day-

ton Hudson continued to suf-

fer from its heavy exposure to

the sluggish Californian econ-

Penney, with nearly 1,300

department stores in 50 states

and an extensive catalogue

sales business, yesterday said net income, before an extraor-

dinary item, set a quarterly

record at \$221m, or 83 cents a

share. The result compares with \$186m, or 70 cents, in the corresponding period of 1992.

In the three months to the

end of October, the company

took a one-time charge of

\$36m, or 14 cents, to cover

early retirement of debt, plus

a \$14m provision to adjust

With both items included,

net income was \$185m. or 69

ings was struck on a 9.1 per

cent advance in sales to

Sales in stores open for at

least a year were 9 per cent ahead of last year's level.

Penney continued to benefit

from Sears' recent exit from

the catalogue business, as mail-order sales climbed 15.2

By contrast, Dayton Hud-

son's third-quarter results

underscored the group's con-

tinuing difficulties in the dis-

deferred taxes.

per cent.

Baxter Intl announces broad-ranging reshape

By Richard Waters in New York

BAXTER International, the troubled US medical supplies group, announced a broad. ranging restructuring which will lead to 4,500 lost jobs and account for \$700m of special pre-tax charges out of a total of

\$925m this year. The company also said it was in talks to sell its diagnostics manufacturing business, and was considering joint ventures, partial flotations and other moves to further the development of its businesses. The moves represent Bax-

ter's response to the restructuring in the US health care industry, and to growing unrest among its shareholders, The company's shares, which were trading at \$35 before Baxdisquiet when it pleaded guilty to supporting an Arab boycott

Mr Vernon Loucks, chairman and chief executive, said the restructuring was intended to make the company better organised in the US to cope with the "dramatic changes' under way in the health care

its salesforce, operating

through 20 product divisions, will be amalgamated and organised regionally, making it better adapted to sell to the large regional buying groups which are beginning to dominate the industry. Powerful buyers have pushed down prices in Baxter's core hospital products business, putting profits under pressure. Also, the company will con-

the next three years - abroad, where growth prospects are greater. The restructuring will result

centrate much of investment -

expected to reach \$2hn over

the fourth quarter this year, taking the company into a los for the year. The cost cutting, which will result in a reduction of 7 per cent in the workforce over the next five years, will lead to savings of \$100m next year, rising to over \$350m

> Baxter said it would take a \$225m pre-tax charge to cover litigation costs, primarily from its breast implants and blood-

in 1998, the company said.

clotting agents.

The global settlement of a class action over leaking breast implants, agreed last month, would result in costs of \$475m -\$618m, Baxter said. After insurance cover, the company's share of the settlement cost is expected to be \$128m. It has also provided \$47m to cover its share of a settlement over HIV-infected blood-clot ting products, and \$50m to cover other smaller product liability actions.

Medco buys rest of Medical Marketing

MEDCO Containment Services, ment by Merck, the US health the US medical services group, is to buy the 45.8 per cent of Medical Marketing Group it does not already hold at \$27.25 per share, Reuter reports. The transaction is valued at

Medical Marketing and Medco, joined in the announce-

INITED STATES BANKRUPTCY COURS

MACMILLAN, INC., et al.

care group, also said the proposal included an agreem with a Medical Marketing sharebolder group suring Medco in Delaware Chancery Court after an initial bid of \$25 per share for Medical Marketing stock, made on October 13. The understanding, the com-

S21 of the Barkinspicy Code and Barkinspicy Rule 1007, along with the other schedulers required by Barkinspicy Rule 1007 (collectively, the Scholars).

4. Simultaneously with the sting of the posteros and Schedules, the Debtors fled a Joint Propodinged Plan of Reorganization (the Propodinged Plan) with the United States Barkinspicy Court for the Southern Destret of New York (the Court). Copies of the Debtors are on the with the Cost of the United States Barkinspicy Court for the Southern Destret of New York, (the Court). It is not supported by the Southern Destret of New York, (the Court), United States Barkinspicy Court, News York, (the Court), United States Barkinspicy Court for the Southern Destret of New York, (the Court), United States Barkinspicy Court for the Southern Destret of States, (the Southern Destret of Southern Destret of States) and the Southern Destret of New York (the Open Southern Destret of New York (the Destret Open

isish):

(i) a claim of a customer or business vendor which erose and of a transaction in the ordinary course of business or operations of the Debtor and claims based on a contract of a Debtor with an author, Businessor, contributor, agent, editor, or Bothsee for the development and publication of works or a contract, transaction rights, permissions, foreign myths, and appartment, publication, or distribution of works, including book club contracts, transaction rights, permissions, foreign myths, and appartment in phase of the contracts, transaction rights, permissions, surgion myths, and appartment in phase the contracts of the contracts of the contracts of a Debtor for adulty, wages, vacation pay, expense reliably expense; borus payments, severance or calaxy continuations payments, combinations to a pension or benefit plan, or whose claim is otherwise for payments or benefit plan, or whose claim is otherwise for payments or benefit plan, or whose claim is otherwise for payments or benefit plan, or whose claim is otherwise for payments or benefit plan, which is listed on the Debtor's Schedules (as may be amended from fine to time) and is not described as being "disputed." "contingent", or "uniquidated" and where the amount (if specified) and/or manner of classification set for

In the Schedules is accurate;

(iv) a claim for which is proof of claim type, amounty been flect;

(iv) a claim for which is proof of claim type, amounty been flect;

(iv) a claim for which is proof of claim type, amounty been flect;

(iv) a claim for which is proof of claim type, amounty been flect;

(iv) a claim type but he been allowed by an order of the Bankruptcy Court entered on or before the Bar Date; and

(iv) a claim by a present or former officer, director, or employee which is based on emblament to contractual indemnification pursuant to an agreement of the bightes of a Date; or a Date;

7. To be properly field, each proof of claim must (i) be written in English, (ii) set both the specific name of the Dettor against which such claim is seened (Alexanderia, Inc. case number 58 a 45625 (TLB), Alexanderia College Publishing Company, Inc., case number 58 a 45625 (TLB), Jossey-Bass, Inc., Publishers case number 58 a 45625 (TLB), and MCC LDM, Inc. case number 58 a 45626 (TLB), (iii) describe the transaction of expression giving rise or relating to the claim, (iv) set Isrin the endown of the Laim is in the claim, (iv) set Isrin the endown of the Laim is in the Isrin the endown of the Claim of the Claim of the Voluminous, attach a surfmarty). (ivi) include copies of siny invocace, statements, or other documents evidencing the emount and/or best of the Claim, (viii) be signed by the creditor or other person authorized to Re the proof of claim, and (ix) conform authorized to Re the proof of the Israel of (it they days after the entry of a Final Order (as defined in the Plan) authorizing such rejection or recovery, and (iv) the Bar Date.

States Tube to Effect of the Earl of the Sam (ivi) the service of a Final Order (as defined in the Plan) authorizing such rejection or recovery.

Senter Standard Time.

Time for Hearing on Confirmation of the Presented His.

14. A hearing will be hold on February 7, 1994 the Transmission Date? in 19-09 a.m., or as soon thereafter as coursed may be heard, be Honorable Time. It broatman, United States Bankrustry studie, in Room 821-2 of the United States Bankrustry Court for the Southern D. New York, Alexander Hamilton Custom House, One Bowing Green. New York, New York, 1904-1408, is consider confirmation especially of the Institute of the Adjourned for the the Court at the time (the Torritmation Hearing). The Confirmation repetitioned hearing or at an adjourned depart there in the Court at the sime (the Torritmation Hearing). The Confirmation of the Adjourned date or dates a department of the hadjourned date or dates a department of the Adjourned date or dates a few the Court at the Adjourned date or dates a department of the Adjourned date or dates a department of the Adjourned date or dates and the Torritmation of the Adjourned dates or dates and the Confirmation of the Adjourned of the Adjourned dates or dates and the Confirmation of the Adjourned dates or dates and the Confirmation of the Adjourned dates or dates and the Adjourned dates or dates or dates and the Adjourned dates or d

On or before January 25, 1994 by 5.00 p.m., any memorandom of law and any Evidence of the Debtors concerning approval of the Court and served by first-classmal on the parties artifled to recover the Notice (as confined below).

On or before January 25, 1994 by 5.00 p.m., the Evidence of any party objecting to confirmation of the Prepackaged Plan and any memorandom of law must be field with the Court and served upon (i) the Office of the United States Trustee, Southern Debtor's Court (as the Court and Served upon (i) the Office of the United States Trustee, Southern Debtor's Court (as the Court and Served upon (i) the Office of the United States Trustee, Southern Debtor's Court (as the Court and Served upon (i) the Office of the United States Trustee, Southern Debtor's Court (as the Court of the Cour

SCHEDULE A

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1. Chase Manhadan Piaza
New York, Naw York 1990S
(212) \$30,5000
(212) \$30,5000
Albertiger John G. Geltene, Esq.
Albertiger for the Debtors and Debtors in Por

Alter Acquisition Co.
Samel Loft, Ltd.
Ketherine Gibbs Realty Trust
Masswell Holdings, Inc.
Maswell Communication Corpora
North America

BY STUDIN CORRENT MATERIAL THREE TO SEARCH OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK Hendrable Time L. Brozmen, United States Bartisuptcy Judge

Companies Merged into Magmillan Tax ID Busness Maters, Inc 36-246

Macmilian Information Company,inc. U.S. Directory Service, Inc. Macmilian Real Estate

panies said, calls for plaintiff to settle their litigation "based upon, among other things, the terms of the merger agree

The merger is subject to approval by shareholders and the Delaware court, and is also contingent on completion of the Medco-Merck merger.

Case No. 93 El 45625 (TLB)

The retailer said a poor performance by Mervyn's, an clothing chain with a strong presence on the west coast. had contributed to a 24 per cent decline in net income to \$43m. or 53 a share, against \$57m, or 70 cents, in the 1992 Revenues showed a 7 per

cent increase to \$4.63bn. However, on a same-store basis, a more reliable measure of retailing strength, sales were up by only 1 per cent. Mervyu's operating profits were down significantly, while same-store sales dropped by 7

Target stores, which offers general merchandise at discounted prices, continued to be a bright spot, showing a 6 per cent gain in comparablestore sales and higher operating profit.

At the department-store division, which includes the Dayton's, Hudson's and Marshall Field's chains, earnings and sales were flat. the offering at \$420mand the value of the unit at \$1.05bn.

GENCOR LIMITED

(Incorporated in the Republic of South Africa)

Company Registration No 91/01232/06

tourly General Mining Union Corporation Limited

PAYMENT OF COUPON NO 144

(Dividend No 135)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 25 November 1993 at the rate of 5.77678p the amount declared per share, less 0.86652p being South African non-resident shareholders' tax of 15% against sarrender of Coupon No 144.

In Switzerland At Credit Suisse, Zurich: Union Bank of Switzerland, Zurich; Swiss Bank Corporation, Baske, or at any of their branches.

Coupous belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

At the office of the London Secretaries of the Company 30 Sty Place, London BCIN 6UA

Coupons must be deposited for FOUR CLEAR DAYS for in payment will be made:

At Credit du Nord

Amount of dividend after deduction of South African rop-resi shandholders' tax of 15%

Listing forms can be obtained from the office of the London Ser per pro GENCOR (U.K.) LIMITED London Secretaries

Less United Kingdom Income Tax of 5% on the Gross Amount of the dividend of 5.77678p

In Park

L J Baines 30 Ely Place

London BCIN GUA

J.C. Penney | Morgan Stanley up 64% in quarter ley's two main businesses sug- problems in the MBS market increase in mergers and acquigests that the unprecedented recently. sitions and other corporate

MORGAN Stanley, the US securities house, yesterday announced third quarterearnings of \$181.7m, up 64 per cent from a year earlier and in line with analysts' expectations.

The results, however, were not as strong as in the recordbreaking second quarter, primarily because of lower trading and investment banking revenues.

Although the firm's overall

wo-and-a-half year boom in Wall Street profits may have number of borrowers paying passed its peak.

number of borrowers paying off their mortgages early. The firm said the drop in trading revenues was mostly.

the result of unfavourable conditions in the mortgage-backed securities (MBS) market. Trading revenues totalled \$285.3m. in the period, down from \$300.8m a year ago and well below the record \$517.9bn reported in the second

Although Morgan Stanley earnings remained strong com- did not provide details on the pared to previous years, the MBS situation, several big Wall quarter-on-quarter decline in Street firms and institutional revenues from Morgan Stan- investors, have encountered

This follows a surge in the advisory business.

off their mortgages early, which has led to losses on portfolios of securities that pay lier, and asset management only the interest portion of a

took over as the firm's main quarter, bringing in a total of \$295.5m, up 62 per cent from a year earlier.

accredited to growth in structured debt underwriting volumes, a strong equity new

sitions and other corporate

Brokerage commissions totalled in \$101m in the quarter, up from \$76.3m a year earand administration fees contributed \$67m, up from \$51m. mortgage. Indused some income with trading revenues interest and dividend income declining investment banking climbed 61 per cent to

\$1.57bm Non-interest expenses increased 32 per cent to g rise in compensation payments The improvement was that was related to the growth in profits.

Morgan Stanley's shares were little changed at \$75% on the New York Stock Exchange.

QVC seeks poison pill ruling

By Richard Tomkins in New York

QVC Network, the US home shopping company, yesterday asked a US court to throw out "poison pill" provisions standing in the way of its hostile \$90 a share bid for Paramount Communications, the film studio and book publishing

The company told the Delaware Chancery Court it wanted "a level playing field" that would enable it to fight fairly with Viacom, the cable television company that has made an agreed bid for Paramount

Under the terms of the

20 per cent of Paramount's stock on very favourable

QVC claims the provisions are illegally hindering other bids. It told the court yesterday: "It is a breach of fiduciary duty for Paramount directors to pull this poison pill for an inferior offer by Viacom." The outcome of the court case is likely to prove decisive in the battle.

A decline in Paramount's share price in the last two days suggests that Wall Street is putting its money on a victory for Viacom, the lower bid-

Meanwhile, QVC reported choices in the third-quarter net income of market place.

rival bidder won the battle, \$21.5m yesterday, an increase together with the right to buy of 31.5 per cent over the previous year's figure. Net income per share rose only slightly from 40 cents to 42 cents because of an enlarged equity

• Nynex the US regional telephone company that has formed an alliance with Viacom in its bid for Paramount, yesterday challenged US laws preventing telephone companies offering cable services in

their own regions.
It filed a suit in the District Court in Portland, Maine, claiming the restriction violated its constitutional right to free speech and deprived customers of a full range of

choices in the video services

Cities/ABC expands in Europe

By Richard Tomkins

Capital

CAPITAL Cities/ABC, the US media group that owns the ABC television network, is to make further inroads into Europe by taking a stake in a Scandinavian commercial tele-

vision operator. it has agreed to buy 21 per cent of the shares in the Lux-embourg-based Scandinavian Broadcasting System for about \$40m and will have the right to increase its stake to 25 per cent by buying another 500,000 shares on the open market.

SBS's shares, which are traded in the US on the Nasdaq. market, rose \$1% to \$20%. SBS owns and operates four commercial television stations in Scandinavia. They are TV Norge in Norway and TV5 in Sweden, both satellite-to-cable television stations; Kanal 2 in Denmark, an over-the-air television station; and TV Fynboen in Odense, serving Denmark's

third largest city. US broadcasters have been keen to expand their interests in Europe because they see opportunities for growth in a fast-deregulating market.

Capital Cities/ABC has already bought stakes in several European media companies, including Hamster, a French programme maker, Tesauro, a Spanish producer, Molinaire, a UK production company, and Tele-Munchen, a

German producer. Mr Herbert Granath, president of Capital Cities' newlyformed ABC Cable and International Group, said the company's earlier experiences had given it confidence in the future of ventures formed with knowledgeable local managers in growing media markets.

worth \$85 a share.

agreed bid, Viacom would get a \$100m consolation prize if a

US Prudential in reinsurance flotation

THE PRUDENTIAL, the US insurer, plans to retain a majority stake in its reinsurance arm in a partial flotation that would value the unit at more than \$1bn.

The company, which earlier this year pursued a private sale of the whole unit, said it would sell 20m of Prudential Reinsurance's 50m shares in a public offering, 4m of them outside the US. An over-allotment provision allows for the saie of a further 3m shares. The Prudential abandoned its pursuit of a private sale in

August after it was unable to raise the \$1.2bn target sale price. In a filing with the Securities and Exchange Commission, the company said it would sell the shares at a maximum of \$21 each, putting proceeds from

4.91026

0.28884

4.62142

GM plans \$5.7bn move on pension deficit

By Richard Waters

GENERAL Motors plans to transfer its interest in the future earnings of its Electronic Data Systems subsidiary to its pension plan in a \$5.7bn deal aimed at holding down its pension fund deficit.

In a briefing of financial analysts on Monday the company also revealed its pension deficit is expected to reach \$24bn by the end of this year, up from \$14bn at the end of 1992. GM, which has the largest

unfunded pension liability of any US company, said it had formulated the plan after discussions with the Pension Benefit Guaranty Corporation, which covers private sector pension fund shortfalls.

Under the plan, GM would transfer 185m class E shares to the pension plan. The dividend on these shares is based on earnings of EDS, a company founded by Mr Ross Perot.

The carmaker said it would retain full ownership of the systems company. It will also continue to hold 45m of the class E shares in reserve to satisfy the possible conversion of a separate class of stock it issued earlier this year. The shares transferred to the

fund will be managed by a separate trustee and eventually sold in instalments on the stock market. It added that it expected to maintain an orderly and liquid market in the shares. The plan, which needs the

approval of tax and regulatory agencies as well as GM's board, received initial support from analysts, who welcomed it as a creative partial solution to GM's pension difficulties. GM's pension deficit has

grown largely because of fall-ing US bond rates, which are used to calculate the company's future pension fund liabil-

To the holders of shares of Wilrig AS NOTICE

of Extraordinary General Meeting WILRIG AS

Notice is bereby given of an extraordinary general meeting of Wilrig AS (the "Company") to be field on the 1st December 1993 at 12:00 hours at Wilrig AS' offices at Strandva. 5, 1324 Lysakor (Oslo), Norway. The following matters are to be considered:

The Board propose that the Company's American Depository Shares be listed on Nasdaq in New York, USA.

2. Reduction of the statre canifol The Board propose that the Company's share capital be reduced from NOK 597.784.000 to NOK 358.670.400 by reducing the noming

standing share from NOK 50 to NOK 30. 3. Increase of the share capital

The Board propose that the Company's share capital be increased from NOK 358.670.400 to NOK 718.670.400 by the issue of 12.000.000 new shares of par value NOK 30 at the offering price of NOK 45° per share in a reserved offering to the US and the

* The offering price to be proposed at the extraordinary general meeting may be different from the proposed offering price in this notice and will depend upon the price of the Wilrig shares on the Oslo Stock Brochange and the equity markets in the USA at the date of the general meeting. The Board of Directors therefore reserve the right to amend the above offering price at the date of the general meeting, it will also be proposed that the Board be authorized to increase the offering price after negotiations with the Underwriters. The Board propose that the existing shareholders waive their pre-emption rights to subscribe new shares under the Norwegian Joint

Stock Act § 4-2.

The Board propose that it be authorized to increase further the share capital by NOK 132.594.530 by the issue of up to 4.553,151 new shares, partly reserved to the Underwriters of the officing described under item 3 above (1.800,000 shares), partly reserved to the Foramer Group as payment for rigs to be acquired (2.453,151 shares) and partly reserved for the management of the Company

The Board propose that the existing shareholders waive their pre-emption rights to subscribe new shares under the Norwegian Jo

5. Senior Secured Notes The Board propose that the Company issue Senior Secured Notes in the total amount of USD 100,000,000 to the US and into

The Board propose the following amendments to the Articles of Association.

Article 4 of the Company's Articles of Association be amended to read;

The share capital of the Company is NOK 718.670.400 divided into 23.955.680 shares of nominal value NOK 30 each, fully paid

Arricia 5 be amended to read: "The Board of the Company shall consist of 5-9 directors. The Company in general meeting shall elect the chairman of the Board.

A Director shall retire from the Board at the first annual general meeting of the Company held after he has reached 70 years of age."

Article 7, first paragraph, be amended to read: "An annual general meeting of the Company shall be held in each calendar year before the end of June. Annual general meetings shall be convened by the Board on not less than 14 days notice to the stareholders." The Board of Director's proposals for the resolutions will be mailed to each shareholder of the Company. In addition, the Board's proposals will be available for inspection at the Company's offices at Strandvn. 5, 1324 Lysaker.

reholders who wish to attend the extraordinary general meeting must inform the Company at Structvn. 5, 1324 Lysaker by no is

Shareholders not attending the extraordinary general meeting may appoint a proxy to attend and vote on their behalf Lyseker, 15th November 1993

on behalf of the Board of Directors of Wilrig AS

Leif Terjo Laddessi

BANQUE INDOSLIEZ US \$150,000,000 Subordinated Floating Rate Notes due 1998

Nodes is hereby given pursuent to the Terms and Conditions of the Notes that for the six month period from November 17th, 1993 to May 17th, 1994 the Notes will carry an interest rate of 4.075% per arrum. On May 17th, 1994 interest of US 102,440.97 will be due per US 55,000,000 Nets for Coupon No. 12. Banque Indestrez Lutrembourg S.A. Fiscsi and Agent Bern.

National Westminster Bank (Incorporated in England with limited Bability) U.S.\$500,000,000 Junior FRNs

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date May 17, 1994 against Coupan No. 20 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$628.47 and in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$125.69.

November 17, 1993, London By: Citibank, N.A. (Issuer Services), London Branch, Agent Bank

8. Claims arising out of the rejection of executory contracts and understand leases or out of the recovery by the Debtors of a transfer of property must be fired by the later of () thing days after the entry of a Final Order (as defined in the Plant) authorizing such rejection or recovery, and (s) the Ber Debt.

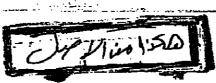
9. Each person or entity asserting to be an equity security holder, as defined in section 101(17) of the Bankruptcy Code, in one or more of the Debtors as of the Fining Distin, must like on or before the Bar Debt (January 12, 1994) proof of such interest, so that such proof of interest is received by the Court on or before the Bar Debt (January 12, 1994) proof of such interest, so that such proof of interest is received by the Court on or before the Bar Debtor (January 12, 1994) proof of such interest, so that such proof of interest is funded States Bankruptcy Court

For the Barriagable Court for the Scattleman

For the United States Barriagable Court for the Scattleman

For the Work. Intelligence and the Work 10004-1408.

Such proofs of claim may also be filed in person or by express must be the Cuent of Court as set that the court of shares or other understand to Barriagable Court for the specific Debtor is which an interest is assessed (Blacamillar, Inc. case number SS B 45525 (TLB), Moormatin College Publishing Company. Inc. case number SS B 45525 (TLB), Josey-Barriagable Court for the spec Under the double tax agreement between the United Kingdom and the Republic of South Africa-the South African nun-relatent simulation? has applicable to the divident's Silverable as a credit against the United Kingdom tax payable in respect of the divident. The deduction of tax at the related rate of 5% instead of 20% represents an allowance of tradit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax. The gross amount of the dividend neceived to be extend by the individual chercholder on any return for income Tux purposes is 5.77678p multiplied by the number of shares held. Götabanken U.S. \$50,000,000 Floating Rate Capital Notes due 1994 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Period 17th November, 1993 to 17th May, 1994 has been fixed at 51/4% The Coupon Amount in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$263.96 The Interest Payment Date will be 17th May, 1994. Agent Bank Samuel Montagu & Co. Limited





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Reduced debt provisions help ANZ back to black

AUSTRALIA and New Zealand Banking Group (ANZ) yester-day kicked off the Australian banks' reporting season with news of a A\$246.5m (US\$161m) profit after tax and abnormal items for the year to end-Sep-

The figure compared with a loss of A\$579m in the previous year, and was struck after abnormal items of A\$213.2m, compared with A\$0.9m. Howhoped for net profits of around A\$300m - was disappointed, and ANZ shares closed 1 cent lower at A\$4.44, having posted a gain of 8 cents ahead of the announcement. Other bank shares, notably National Australia Bank, dipped in sympa-thy.

ANZ's chairman, Mr John Gough, said that the bank's main aim during the year had been "to address asset quality" and he noted that the need to provide for bad and doubtful debts had fallen sharply, especially in the second half, as asset values stabilised.

Before doubtful debts, restructuring charges and abnormal items, ANZ's operating profit stood at A\$1.86bn, only 3.7 per cent higher than in the previous year. However, the specific provision for bad and doubtful debts more than halved from A\$1.6bn to A\$628.7m, while the general provision for bad and doubtful debts fell from A\$337.3m to A\$5m. Restructuring costs were A\$54.8m, compared with

reduced from A\$3.07bn to A\$2,18bn. and now represents 42.6 per cent of shareholders equity, compared with 66.9 per cent a year ago.

Asset sales, meanwhile, were ahead of budget, and produced around A\$1bn. By the year end, the group's capital adequacy ratio stood at 10.8 per cent, with 5.9 per cent in tier one capital.

A large element of the abnormal items - A\$101.8m reflected a write-down in the value of net deferred tax assets. Other major items included a AS23.5m loss from the sale of the pastoral and shipping businesses of Dalgety Farmers, and about A\$83m of property-related losses or

Mr Graheame Catterwell

icensing agreements. There was an extraordinary gain on debt discharge, net of reorganisation expenses, of 8294.4m, giving a net income for the quarter of \$306.3m.

But Wang said net income for the quarter was neither comparable with prior quarters nor indicative of future results.

small profit

after leaving

Chapter 11

the

minicomputer manufacturer.

made a small profit in its first

quarter since emerging from

the protection of the US bank-

Now reconstructed as a com-

puter software and services

company, it yesterday reported income before tax,

extraordinary items and reor-

ganisation expenses of \$12.3m

compared with a \$36.9m loss

for the same quarter in 1992.

The company said operating income of \$12.4m for the first

quarter included about \$5m in

non-recurring income from settlements under technology

By Alan Cane

ruptcy code.

WANG.

Revenues were \$210.9m, compared with \$360m a year ago. No dividend is being paid. Mr Joseph Tucci, newly appointed chairman, said the results represented a "solid

return to profitability". They also showed the company could achieve sustained profitability as a supplier of office productivity software based on open standards and client-server designs.

Wang was placed in bankruptcy protection last year with debts of more than \$500,000. It emerged from Chapter 11 three weeks ago after its creditors agreed to a debt-to-equity conversion. No single stockholder owns more than a few per cent of the company, and the balance sheet is

to support users of its VS series of minicomputers, but its new business plan focuses on client-server software and systems integration services.

Wang shows | Canberra to sell Moomba pipeline AGL, which is quoted and tentious in the past, and a pre-

AUSTRALIAN government yesterday announced plans to raise over A\$500m (US\$327m) by selling a controlling interest in the Moomba-Sydney gas pipeline to the Australian Gas Light Company, the nation's largest petroleum pipeline company, and inviting tenders for the remaining equity.

The pipeline transports natu-ral gas from the Cooper Basin in South Australia on behalf of AGL, for distribution in Syd ney, Canberra and regional centres in New South Wales. It

is operated by The Pipeline Authority (TPA), a statutory authority, under a haulage agreement dating back to 1974. It has been politically convious attempt at privatisation, in the 1980s, failed. The current deal is not expected to be completed until mid-1991, and will require enabling legislation to be passed, as well as a new haulage agreement and approv-als from the Trade Practices Commission and the New South Wales government. Under the current proposal,

the government would sell a 51 per cent interest in the pipeline to AGL and conduct a competitive tender process for the remaining 49 per cent.

"The government expects that total gross proceeds from the sale will be in the range of ASS10m to ASS50m," Mr Rainh Willis, finance minister, and Mr Michael Lee, resources minister, announced vesterday.

has other oil and gas trunk pipeline interests in New South Wales, Queensland and the Northern Territory, would receive AS30m compensation for releasing the commonwealth and TPA from contractual commitments to the pipeline's operation, they added.

Commenting on the proposed transaction. AGL said the sale represented "an acceptable solution to the current confusion over future haulage charges" and would result in reductions in haulage charges for "major gas users, who are currently subsidising smaller

The company, which has long sought ownership of the pipeline, said it would prefer to see a number of institutional

investors own the remaining 49 per cent but added that nothing - from a trade sale to a single purchaser or a public flotation of the remaining equity - had been ruled out by the federal government.

The deal could have implica-

tions for ICI Australia, part of the UK's ICI group, which plans to build a second pipe line linking the Cooper Basin and Sydney. This would follow the existing pipeline's path, and would be used to transport ethane to ICI's Botany Bay petrochemical plant. Total cost of this project has been put at around A\$300m.

However, ICI Australia said vesterday that it still expected the ethane pipeline to be built by TPA, and for the project to proceed as planned.

Europe Growth slows at Bangkok Bank

BANGKOK Bank has reported third-quarter results which confirm that deregulation has yet to make a significant impact on the country's 15 listed banks, although profits growth is slowing. South-east Asia's biggest bank lifted unconsolidated net profits to Bt3.31bn (\$133m) from Bt2.8bn in the same period last year.

Mr George Huebsch, Union Securities' head of research, said Bangkok Bank's profits, like those of the whole sector. were feeling the affects of slower loan growth and a narrower spread between lending

HIGHE

and some banks' clients have been lost to foreign banks or used debt instruments to raise money." according to Mr Huebsch. However the latest results from Bangkok Bank are in line with his full-year forecast of a 23 per cent rise in profits to Bt13.36bn, compared

with Bt10.54bn in 1992. Thailand's other leading banks have also reported thirdquarter results: Siam Commercial Bank's net profits climbed by 9.2 per cent to Btl.21bn: Thai Farmers Bank's profits rose 10 per cent to Bt1.67bn; Krung Thai Bank showed a 27 per cent gain to Bt1.35bn; Bank of Ayudha saw a modest 0.9 per cent advance to Bt706m

and Thai Military Bank reported a 78 per cent increase to Bt681m. country manager for Crosby Research, said new lending income from the recently intro-

duced Bangkok International Banking Facility should come through in the next quarter. Some people say Thai banks are going to fade - that's nonsense as these figures show. Thirty per cent growth may be slower but they are still

said Mr Catterwell. The slowdown in lending was most apparent in the Siam Commercial Bank where loan growth slipped to only 2.6 per

extraordinarily profitable,"

Thai oil and gas group well ahead

The company will continue

Nedcor to expand in Africa

By Philip Gawith in Johannesburg

FOLLOWING similar forays into Africa by some of its com-petitors, Nedcor, South Africa's fourth largest banking group, has announced a series of initiatives to increase its presence

on the continent. Nedcor Bank, a subsidiary of Nedcor, has entered into a strategic alliance with Société Financière pour les Pays d'Outre-Mer (SFOM), to combine forces in Africa.

SFOM, a Swiss-based holding company, has major shareholdings in banks in 14 countries in Africa with a strong presence

THE EUROPEAN recession

in West and Central Africa. It to acquire an effective 16 per is owned by Banque Nationale de Paris, Dresdner Bank and Banque Bruxelles Lambert Nedcor Bank and SFOM have also agreed, with effect

from October 1 1993, to com-

bine forces in Namibia by

merging Namibian Banking

Corporation and Commercial Bank of Namibia. The merged bank will be jointly managed by the two partners, which hold an 88 per cent stake, and will be known as The Commercial Bank of

Namibia. It will be the third largest bank in Namibia with total assets of R725m (\$166m). Nedcor Bank has also agreed cent strategic stake in the Merchant Bank of Central Africa, one of Zimbabwe's premier banks, in partnership with other major shareholders including SFOM, NM Rothschild and Hill Samuel. Nedcor Bank said that, given

South Africa's inexperience in the rest of the continent, it had been decided to forge relationships with other banks that had greater experience in the region. The group saw its business in Africa as the provision of bankings services and support to its corporate and commercial customers doing busi-

Land down in quarter By William Barnes

Bangkok

THAILAND'S biggest listed property company, Bangkok Land, reported second quarter consolidated net profits of Bt1.502bn (\$55.9m) yesterday, slightly down on last year's Bt1.575bn. Half-year profits were slightly higher at Bt2.911bn, up from Bt2,275bn in the same period last year.

Hoare Govett's Mr Niel Semple said his Bt4.7bn forecast looked achievable. However, with perhaps US\$800m in accounts receivable from home buyers yet to move into their homes in the ambitious company's property developments, and who have paid only a fraction of the price, there remains some doubt about the strength of earnings.

Tanayong, a rival property company, also controlled by the powerful Sino-Thai Kanianapas family, reported second quarter consolidated net profits of Bt100m, making Bt150m for the half year.

Like Bangkok Land, it seems to have selling problems with its core property venture on the outskirts of Bangkok.

Exploration and with Bt10.3m in the same Production (PTTEP), the Thai

oil and gas company partially privatised this year, announced sharply higher consolidated net profits for the third quarter of 1993 to Bt142.6m (\$5.6m), compared

period last year, writes Victor Mallet.

For nine months to end-September, group net profits rose to Bt259.4m from Bt82.3m. The company says profits are expected to continue rising as

production increases from the Bongkot offshore gas field, which opened in July.

PTTEP is Thailand's only listed exploration and production company and is still 85 per Authority of Thailand.

board operations brought a third-quarter loss for Cascades, the international packaging products and fine paper group. It posted a net deficit of CS3.2m. or nine cents a share after preferred dividends, against profit of C\$1.3m, or two cents a share, a year earlier. Sales advanced to C\$400m,

from C\$217m a year earlier, and included 59 per cent-owned Cascades Paperboard and 73 per cent-owned Rolland. For the first nine months of

European recession hits Cascades

and problems with the box-1993 the net loss was C\$4.3m, or 17 cents a share, against profits of C\$13.6m, or 25 cents, on sales of C\$1,23bn, compared with C\$643m.

Most packaging operations in North America and Europe were profitable, but European boxboard markets were weak.

made a C\$12.7m loss in the nine months after shutdown costs. Only the packing unit remains open. Cascades has sold its west ern Canada assets held

The Duffel plant in Belgium

through Cascades Paperboard, raising more than C\$200m for debt reduction in that unit. The holding company has redeemed US\$23.8m of subordinated notes and long-term debt

has declined to C\$29m.



NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF EUROTUNNEL P.L.C.

Eurotuanel P.L.C., Registered office: Victoria Plaza, 111 Buckingham Palace Road, London SWIW 0ST, Registered in England and Wales 1960271.

This notice is to holders of Units in bearer form and, for information only, to holders of bearer Warrants Notice is hereby given that an Extraordinary General Meeting of Eurotunnel P.L.C. will be held at the Glaziers Hall. 9 Montague Close, London SEI 9PP on 15 December 1993 at 9.30 am (London time) for the following purposes: I. Authority to the Directors to allot relevant securities up to an aggregate nominal amount of £76.800.000 Disapplication of statutory pre-emption rights for the purposes of the proposed rights issue*

INSTRUCTIONS FOR ATTENDANCE AND VOTING FOR HOLDERS OF BEARER UNITS INSTRUCTIONS FOR ATTENDANCE AND VOTING FOR HOLDERS OF BEARER UNITS
If you intend to attend the Meeting in person or to vote, by proxy, you must immobilise your Units at least 5 days
before the Meeting by notifying she bank or other institution through which your Units are held of your intention to
attend and/or vote at the Meeting. If you hold certificates in respect of your Bearer Units, the certificates
themselves must be deposited for immobilisation with one of the banks listed below at least 5 days before the
Meeting, you must also obtain from the relevant bank a certificate evidencing such immobilisation which, if you
are attending the Meeting in person or by proxy, you or your representative must bring to the Meeting.
If you intend to attend the Meeting in person, you should request an Admission Card through the bank or other
institution through which your Units are held. If requested in sufficient time, you should receive your Admission
Card before the Meeting, in which case please bring it with you. If you do not, you may still arrend the Meeting
provided that your Units have been immobilised and you bring with you suitable evidence of your identity and of
the immobilisation of your Units.
If you do not intend to attend the Meeting in person, you may exercise your voting rights by using the proxy form.

Copies of the proxy form and other documents including the full text of the resolutions to be put to the Meeting be sent to registered Unitholders in connection with the Meeting may be obtained from 22 November 1993 from: English language - National Westminster Bank Pic, Registrar's Department. PO Box 39, Caxton House. Redcliffe Way, Bristol BS99 7ZF, England (by post) - Salomon Brother Inc. One New York Pluza, New York, New York 10004 - Citibank, 111 Wall Street, New York, New York 10043 - The Nomura Securities Company Limited, 1-9-1 Nihonboshi, 1 Chuo-ku, Tokyo 103, Jupan - Enskilda Fondkommission, Nordandsgatan 15, PO Box 16067, Stockholm 10332, Sweden (available for collection).

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mitted to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, to A proxy need not be a member of the Company.

INTERNATIONAL

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CONSULTANTS TO MANAGEMENT ON EXECUTIVE SEARCH - WORLD WIDE The Partners of TASA International are pleased to announce the appointment of

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as a Partner joining:

ANTHONY ARCHER DAVID BRAY

ANDREW SIMPSON MICHAEL SQUIRES FIONA VICKERS

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(X)

HSBC Holdings plc US\$250,000,000 Subordinated collared floating rate notes 2008

The notes will bear interest at period from 17 November 1993 to 17 May 1994. Interest poyable on 17 May 1994 will amount to US\$25 14 per US\$1,0x0, US\$251.39 per US\$10,000 and US\$2,513.89

Agent: Morgan Guaranty **JPMorgan**

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. These securities having been sold, this announcement appears as a matter of record only.

New Issue

September 1993

US\$1,420,000,000

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INTERNATIONAL COMPANIES AND FINANCE

Backing a champion in China

s the darling of the Hong Kong telecommunications sector, Champion Technology can do no wrong. Founded in 1987 by Mr Paul Kan, a computer software engineer formerly employed by Cable & Wireless of the UK, and taken public in August last year. Champion is a bet so far one-way - on China's

The company is already regarded by Hong Kong tele coms analysts as the purest China telecommunications play in the market. More than 90 per cent of the company's HK\$298.6m (US\$38.5m) revenues accrue from the sale of its multi-lingual Kantone radio paging systems to China. And the system is reckoned to give Champion a three-year echnological edge over US and Japanese electronics giants Motorola and Matsushita

Mr Andrew Harrington, telecoms analyst at Salomon Brothers in Hong Kong, says: "Champion is a concept stock. If you believe that the market in China will open up to forthen Champion will be a major beneficiary. It has the golden combination of contacts and

Last week, Champion made an agreed £21.5m (\$31.8m) bid for Multitone, the UK inventor of the electronic pager. The acquisition should bring much needed resources to developing Champion's business, especially on the mainland. "We have a lot of business in China," says Mr Paul Kan.

chairman and chief executive. "But we are constrained by people, resources and capacity. There are not many paging companies around that we can buy. They invented the pager and I'm the father of the Chinese language pager, so it's a natural fit."

Chamnion makes its money

Simon Holberton profiles an HK telecoms group with important inroads to the mainland

ing and maintaining pager systems and pagers in cities. Under current regulations, it is unable to own equity in a pag-ing network, although in most locations it shares in the revenue generated by the system. Currently it has 15 systems on the mainland, with an

aggregate pager capacity of 300,000 units, of which only 60.000 have been supplied. By the end of the century, it hopes to have installed 100 systems with a capacity of 2m pagers.

Mr Kan is the first to admit his company is a high-risk investment. Of his deals in China, he freely acknowledges that "everything is not well-defined", and that there is "no proper regulatory framework" underpinning his agreements

with partners. However, what gives ana lysts confidence in Champion is its two-fold secret of success

This year it became the first

tise and technology, which allows it to market its pager. Most importantly, however, it has contacts, especially with China's military and public security apparatus, which controls many of the country's

r Kan is reluctant to talk at length about his contacts with the People's Liberation Army, (PLA), saying that in many countries the military is involved in business. But when pressed he says: "They are very business-like; in fact they are just like ordinary business-men. But their companies are good to deal with because they have a lot of clout. They can give quick decisions and help speed up procedures like import licenses."

And his contacts go straight to the top or, at least, near to it. Mr Kan last week presented

a report to the Chinese govern-ment about how it should lib-eralise its telecommunications market. He gave the report to none other than Mr Wan Li, 77, a veteran Communist party leader and supporter of eco-nomic liberalisation - and Mr Deng Xioaping's favourite bridge partner.

Champion's future in China would be assured if it could meet its ambitious plans for the expansion of its pager net if work. However, the company has set its sights much higher. and wants to be involved in the mainland's telephone system as well.

foreign company to invest in a domestic telephone network on the mainland. It has taken 40 per cent of a mobile communications network in Chengdu, the capital of Sichuan, China's most populous province with an estimated 110m population in doing so, it circumvented existing prohibitions against such investment by standing one removed from day-to-day operation of the network. Its partners in the deal which will entail an investment by Champion of up to US\$30m - are the local branch

of the ministry of post and tele-communications (MPT) and the PLA. In addition to capital, Champion has provided technology and expertise to the joint venture, for which it will receive 40 per cent of the profits. These could be large. China has to date prohibited

foreign investment in the operation of telecommunications networks. It is for this reason that Mr Kan emphasises his company will not operate the Chengdu mobile network which he says should be ready i for testing by the end of this year - only design the system and procure equipment for it.

However, pressure is build-ing on Beijing to allowed for-

Brierley group drops executives' options plan

NOTICE TO THE HOLDERS OF

CS HOLDING FINANCE B.V.

Bonds Due 2002

eed on a Subordinated Busis by,

BRIERLEY Investments unexpectedly abandoned plans at yesterday's annual meeting for a controversial proposal that would have given 30 top executives options to buy shares at a discount.

The proposal had run into stiff opposi-

tion from New Zealand institutional managers, who attempted to enlist the support of the company's founder, Sir Ron Brier-

ley. They wanted to overturn it on the grounds that Brierley executives were sufficiently well paid.

Sir Ron, who was displaced as chairman in an executive coup in 1990, had previously criticised the proposal. He had undertaken to raise the issue at a board meeting that preceded yesterday's annual

The new chairman, Mr Bob Matthew, announced soon after the shareholders'

meeting began that the proposal was being reconsidered. He said the company had "substantially underestimated the extent of the ill-informed and misleading debate' the proposal had sparked.

The abandoned proposal would have given selected managers options to buy 35m shares at NZ\$1.22 each over the next four years, provided the gross return on the shares was more than 15 per cent a

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Beldi & Cie S.A.

July 1993

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R.C. Laxembourg B.25.087

ehy gives to Shareholders, that a

if Shareholders in WARDLEY GLOBAL SELECTION will be held at the company's registered office at 7, rue du Marché-aux-Herbes, L-1728 Luxembourg, on Friday 26th November 1993 at 11.00 am for the purpose of considering the ordinary business of the Company and voting upon the

Submission of the reports of the Board of Directors and of the Independent Auditors.

Discharge of the Directors

4. Ratification of the cooptation of directors and the election and reelection of directors.

shares will have to deposit their shares five clear days before the meeting the registered office of the Company or with one of the following banks:

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RECENT. ISSUES
Navly lessed shama appear for between four
and six weeks in the Landon Recent issues
table. At the end of this period, a stock is

the London States Service if the contently ab requests.

In the hall weekely efficient of the FT, published on Twesday to Filder mornings, the table appears on the helf paye of London lateries. Statistics that also facilities the FT-Actuaries Flood interest indices and London tracked options prices.

On Saturdays it appears on the UK Congany Hower page, and on Mornings on the Currencies, Morning & Capital Markets page.

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Notice is hereby given that in accordance with the rem Notes, Ireland will proceed to the early redempts outstanding Notes at 101% on December 21, 1933. est on the Notes will cease to accrue on and after the Rede Flocal Agent and Principal Paying Agent temationale à Luxembourg Ş.A.

ABN AMRO Bank N.V. Foppingedroef 22, Loc D, RP 441 NL-1102 B\$ Amsterdar

2, boulevard Royal L-2953 Luxemboury ECU 100,000 Neta.

BCU 250,000,000 Kingdom of Belgium Floating Rate Notes due 1999 I southing state stories to the 1999
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ECU 150,000,000 (and transhe)
For the period from November 17, 1992 to
February 17, 1994 the Notes will carry
an interest rate of 67%% per anneal with
an interest ransent of ECU 1,780,98 per
ECU 100,000 Note.

The relevant interest payment date will be February 17, 1994. Agest Bunk: Banque Paribas Lazzoni Société Anonyme

onvertible into Bearer Shares, of CS Holding, Zurich CREDIT SUISSE احي جنا وروازشنگ ليجونسي ا شاهه ادم SWISS VOLKSBANK LEU HOLDING LTD). 10 split the existing respective be and registered shares at a ratio of 1:5; and Lto approve the authorised increase of the capital in a nominal amount not to exceed SFr 158,213,500 through the issue of xmaximum of 1,582,135 bearer shares of a FIDES TRUST LTD. nominal value of Sfr 100 each. FIDES INFORMATIK ELECTROWATTLED forth in the Trust Need. Zurick, November 17, 1993

GROUP COMPANIES

lf the Extraordinary Conoral Meeting of Shareholders approves the proposal to split up the existing shares, every bearer share, presently of a nominal value of SFr 500, will presently of a nominal value of a nominal value of SF: 100 each. The Conversion Price and the Conversion Rate, respectively, vill

Wardley Global Selection Société d'Investissement à Capital Variable

GENERAL MEETING

Approval of the Financial Statement for the period ended 31st July 1993 and appropriation of the net results.

The Shareholders are advised that no quorum is required for the items on the agenda of the General Meeting and that decisions will be taken on a simple resjority of the shares present or represented at the meet Is order to attend the meeting of 26th November 1993, the owners of bearer

By order of the Board of Directo

BELGIUM

93.28 108.67

By Patrick Harverson in New York and

US TREASURY prices were flat-to-weaker across the maturity range yesterday morning as investors and dealers nervously awaited the outcome of today's Congressional vote on the North American Free Trade Agreement (Nafta). By midday, the benchmark

GOVERNMENT

30-year government bond was down & at 101&, yielding 6.166 per cent. At the short end, the two-year note was unchanged at 99%, to yield 4.059 per cent Traders said activity during the morning session was extremely light, with what little business there was conducted mostly in the intermediate range of securities.

There was no fresh economic news to drive the market, and investors remained cautious of committing funds to Treasuries ahead of the Nafta vote. The market is concerned Nafta

House of Representatives. The treaty is seen as positive for bonds because it would

are regarded as inflationary.

THE cut in the Bundesbank's securities repurchase -or repo - rate provided a wel-Europe's government bond markets yesterday.

German bonds had climbed in early trading on expecta-tions of a much lower repo rate, with many market participants looking for a cut of between 5 and 10 hasis points. In the event, the Bundesbank announced a minimum repo rate of 6.29 per cent, down nine basis points from 6.38 per cent last week. The central bank's net drain of liquidity of DM3.2bn took the market by surprise, dealers said.

The market does not appear to be expecting a cut in the Bundesbank's key interest rates - the Lombard and discount rate - at this week's council meeting.

The bund futures contract

	Nov 16	Nov 15	Nov 12	Nov 31	Nov 10	290	High "
Sout Sect (SIX)	103,13	103.07	102.74	102.62	102.58	94 06	103.60
Flood interest	123.47	123.34	123.35	123.32	123.28	109.30	125.20
Basis 100: Gove I for 1988. Gove Float Interest his	enment Se	omplation:	gh mince co	mpianor: 93) , low :	127.40 (9/1 10.53 (3/1/7	3)	9.18 (2/1/
indices*		No≅ 15	Nov 1	12	Nov 11	Nov 10	0
GM Edged Bary	pia a	149.2	96.5		97.6	124.0	
5-Day average		134.6	125.	1	128.4	127.0	
* SE activity indi	сов гораза	d 1974					

FT FIXED INTEREST INDICES

ing to a high of 100.18, but met with some resistance at that level and slipped back to

■ ITALY provided the other main highlight in European trading with its first auction of 30-year government paper in the domestic market. Italian government bonds opened on a buoyant note - taking their cue from the lower repo rate in Germany – but ended lower. Market participants were

mainly watching for the out-come of the auction of L 2,000bn of 30-year bonds. Dealers said demand for the issue was fairly good, with bids

Bank of Italy announced a net yield of 8.62 per cent and a price of 93.75.

Dealers said the yield spread for the 30-year issue over 10year government bonds widened to about 65 basis points, having been as low as 50-55 basis points in the grey market ahead of the auction. However, they pointed out that the auction price "seemed fair".

UK government bonds climbed initially on futuresdriven trading, with dealers noting strong buying interest later in the day on selling of the cash market.

The announcement of a

D-MARKS State of Baden Wu Sechsen-Anhalt State of Hesse(c) Dapo Finance

SMC Corp.(d)

Mitsubishi Finance

CANADIAN DOLLARS

PESETAS Electricité de France(f)

■ JAPANESE debt prices closed lower, with medium-

8.000 04/03 111.0000

opened at 113.90 and traded in a range of 113.75 to 114.18, clos-

ing at the low of the day.

£2.72bn Public Sector Borrow-ing Requirement (PSBR) for dated bonds underperforming the rest of the market. Dealers October had little impact on said this reflected expectations the gilt market, although dealers pointed out that it was slightly higher than issuers in the domestic bond market. The March futures contract

BENCHMARK GOVERNMENT BONDS

8 000 95/03 111.1500

5.750 11/98 101.5638 +0.042 6.750 10/03 105.3600 +0.120

4.800 06/99 106,7010 -0.344 4.500 06/03 106,5322 -0.001

10.900 Q8/03 114.800Q +0.100

9.000 03:23 113.8500 -0.050 6.94 6.98 7.10

7.500 1253 105.4500 +0.200 6.74 6.77 6.70

6 000 09:03 101.1450 +0.110 5.84 5.85 5.87

10.000 08/03 104.3200 -0,560 9,531 8.54 8.85

NEW INTERNATIONAL BOND ISSUES

Treasury prices little changed ahead of Nafta vote | Finnish bank in FM2bn tap issue

By Christopher Brown-Humes

UNION Bank of Finland plans to raise up to FM2bn (\$341.8m) over the next two and half years through a series of bond national institutional inves-

The tap issue will carry a 7 per cent coupon, and be denominated in lots of FM1m and FM10m. Subscription will be via monthly auctions between November 24 1993 and

It is the first time a Finnish bank, or company, has issued bonds in this way. Tap issues, with auctions, have previously been the preserve of the gov-

ernment. The initiative is designed to enhance the development of the Finnish bond market by offering investors new material. The maturity date of the issue, June 15 1997, is the same as the benchmark government bond issues'.

The bank, part of Unitas, said proceeds would be used for normal funding. "We are looking to raise longer maturity markka to fund our longer maturity markka assets," said Ms Maarit Näkyvä, UBF's first vice-president.

Unitas has recently raised FM1.6bn in new equity as part of a recapitalisation drive following the Finnish banking ratio stands at 12 per cent.

'Knockout' warrant issued by SocGen

SOCIETE Générale has issued 400 "knockout" call warrants on Mexican par bonds, designed to provide a play on ratification of the North American Free Trade Association

The warrants give holders the right to buy Mexican par bonds, but the "knockout" fea-ture means that if the value of the bonds falls below a certain level at any time during the life of the warrants, they expire worthless. Otherwise, the warrants can be exercised

on July 15 1994.

particularly when the underlying security is volatile. Société Générale believes

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that Nafta will be approved by US Congress, and that this would have a positive impact on the performance of Mexican The ratification would "probably lead to an upward revi-

sion of Mexico's grading on long-term foreign currency debt", reducing the premium on Brady bonds, said SocGen. If the treaty is not ratified, SocGen believes there will be a

IFC launches two indices

THE International Finance Corporation (IFC), the private-sector arm of the World Bank and the world's leading source of data on emerging stock markets, has expanded its coverage to include China and Zimbabwe, writes Antonia Sharpe. It has launched two indices for China, a global index which contains 81 stocks capitalised at \$17bn and an investable

The "knockout" feature

index of 16 stocks with a market value of \$1.7bn.

hai, Shenzhen and Hong Kong. The investable index, meanwhile, is limited to B shares and H shares, which can be bought by foreigners.

The IFC has also created an investable index for Zimbabwe made up of five stocks with a market value of \$115m. Since Zimbabwe opened up its stock market to foreigners in June, stocks have risen by 84 per cent in dollar

German states make most of buoyancy in long DM sector

THREE German states jumped on the long-dated D-Mark Eurobond bandwagon yesterday, encouraged by the successful launch of the Republic of Austria's 30-year Eurobond

INTERNATIONAL BONDS

The state of Baden-Württernberg launched a DM750m 30year Eurobond issue, while the states of Hesse and Sachsen-Anhalt raised DM500m and DM600m respectively through issues of 20-year Eurobonds, puttable at par after 10

Hesse's bonds also featured a step-up coupon, which will rise from 6 per cent to 6% per cent in years 11 to 20. Syndicate managers said

that, so far, long-dated D-Mark

30NDS

quickly by investors. However, they warned that this evolving sector of the Eurobond market could become saturated quickly due to the lack of benchmark 30-year German government bonds.

"This market needs to be treated sensibly," said one syndicate manager. In general, the pricing of yesterday's longdated D-Mark Eurobond offerings was judged to be fair.

In the Eurodollar sector, Instituto Nacional de Industria (Ini), the Spanish state industrial holding company, reaped the rewards of a thorough international roadshow, to increase the size of its inaugural five-year Eurobond issue from \$500m to \$650m.

The increase in Ini's offering surprised some syndicate managers, who were under the impression the bonds were selling slowly. However, Mr Héctor Lopez Vilaseco, Ini's finance director, said the

He said about 30 per cent of the bonds were placed in eastern Asia, a considerable

achievement given that very few Spanish issuers had tapped that region's large pool of investors in the past. The rest of Ini's bonds were placed with European investors, in the UK and Switzer-

land in particular. Demand from investors was such that Ini's bonds were priced to yield 38 basis points over underlying US Treasuries, at the lower end of Ini's target yield spread of 37 to 42 basis

This represented a yield differential of between five and 10 basis points over outstanding dollar Eurobonds issued by the Kingdom of Spain. When Ini's bonds were freed to trade, the spread remained intact. Mr López said about half of

the proceeds of the issue would

be swapped into pesetas, and

swapped into several European currencies, including Ecus.

the Eurodollar sector with a National Power, the UK's \$300m issue of 10-year Euro- end of the indicated range of 70

made its first appearance in yield 70 basis points over US

MARKET STATISTICS

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GA at £206m but shares fall

By Richard Lapper

GENERAL Accident, the Perth-based composite insurance company, provoked a negative response from the markets yesterday, despite reporting pre-tax profits of £206.1m for the first nine

months of 1998.

The result, which compared with losses of £35.1m at the same stage last year, disappointed some expectations and the shares closed 33p lower at

"People have got used to forecasts being regularly beaten by GA. This is the first set of figures to disappoint," said Mr Steven Bird, analyst with Smith New

Court, the securities house. The fall was mainly due to market perceptions, added Mr Bird, pointing out that GA has been trading with the biggest premium to net asset value of any company in the insurance

Mr Nelson Robertson, chief executive, said GA was "pretty pleased with the result. The market will have to make up its own mind." The dominant feature of the

result was a turnround in the UK where underwriting profits of £27.7m (£133.1m loss) were achieved by a combination of higher premiums and more selective underwriting. Premiums have stopped increasing in motor and house-

hold insurance, but continue to rise by between 10 per cent and 15 per cent in commercial lines

Underwriting profits of \$24m were recorded on personal lines business in the third quarter when GA posted an operating ratio (claims plus expenses as a percentage of premiums) of only 72.27 per cent on its homeowners' busi-

Overseas, results in Canada were adversely affected by losses of £10m from rainstorms affecting Winnipeg and Manitoba in August. Worldwide general business

premium income amounted to

£3.12bn (£2.86bn). Income from

long-term business amounted

income less interest on loans amounted to £354.1m (£329m). Underwriting losses fell to £173.3m (£374.4m), long-term business profits rose to £30.9m (£22.4m) and estate agency losses fell to £5.6m (£12.1m). GA has transferred ownership of its life company from

to £607m (£555.4m). Investment

group's principle non-life insurance subsidiary, to the parent The transfer will increase the reported current solvency margin worldwide by about

General Accident Fire and Life

Assurance Corporation, the

eight percentage points.
Before the change solvency amounted to 52.7 per cent. See Lex



1992 1993

European Motor hits £2.6m

By Paul Taylor

EUROPEAN Motor Holdings, the fast-growing motor retail group, yesterday reported sharply higher interim profits partly reflecting earlier acqui-

For the six months to September 30 they improved from £861,000 to £2.64m pre-

Earnings per share grew to 4.9p (1.4p) and the interim dividend is lifted from 1.5p to

The acquisition of Wilcoma tic, a leading UK supplier of automated vehicle washing machines in May last year, and the Mill Garages motor dealership group which was acquired in July 1992, helped boost turnover to £81.5m (£50.3m),

Mr Richard Palmer, chief executive, said the group had continued to consolidate the acquisitions made last

"We expected substantial progress from the businesses and I am pleased that our objectives have been achieved." he said.

The group ended September with net borrowings of £5.73m, little changed from the £5.56m in net borrowings at the end of March, representing gearing of 32 per

Bluebird shares soar

By Catherine Milton

SHARES IN Bluebird Toys hit a new high for the year yester-day after the company said that pre-tax profits were likely to be "substantially higher than current City forecasts of just over £5m.

The shares, which hit a low of 26p in December 1990, closed at 570p, up 90p on the day. In September, the company announced pre-tax profits of £1.99m (£234.000) for the six months to June. At that time Mr Torquil Norman, chairman, said he expected continued growth in the second half as

well as a good result for 1993 as

the majority of our Christmas orders have come in, it is clear that the level of business, both in the overseas markets and the home market, will be such that the company's pre-tax profits are likely to be substantially higher than the current City expectations of just over

He said that sales of the company's miniature play sets, marketed around the Polly Pocket and Mighty Max characters, were particularly strong. He added: "This is not a bubble." The company has a new range planned for 1995.

DTI distances itself from RICS' stance on QMH probe

THE DEPARTMENT of Trade and Industry vesterday distanced itself from a decision by the Royal Institution of Chartered Surveyors to suspend its inquiry into the widely divergent valuations on the assets of Queens Moat Houses, writes Andrew Jack.

The DTI said: "[RICS'] activities are entirely a matter for them."

The Institution decided on Friday that it would stop examining the circumstances behind valuations which differed by nearly £500m pro-vided by Jones Lang Wootton and Weatherall Green & Smith.

QMH has said the valuations - which were delivered within five months of each other had been commissioned using the same information and prepared on the same valuation basis.

The Institution's action followed legal advice and was prompted by the DTI announcement at the end of last week that it was launching an inquiry into QMH.

Its decision came in spite of assurances that it would seek urgently to assess the valuations and make a statement "in a matter of days". The three members of the assets valuation

standards committee, convened to consider whether there was a disciplinary case to answer, were informed after the decision had been taken.

Mr Richard Wright, a partner with lawyers Dibb Lupton Broomhead, said professional bodies typically did suspend inquiries once a DTI investigation had begun, but there was no legal reason to do so.

in cards merger with Hallmark

CONGRATULATIONS to Andrew Brownsword, thought to be one of the highest paid men in the UK, who is moving

Mr Brownsword, who started designing and publishing greetings cards from his kitchen table more than 20 years ago, has agreed to merge his group of companies with the UK-Ireland operations of Halimark Cards, the world's largest greetings card publisher with annual sales of more than \$3bn (£2bn).

In its last published accounts for the 13 months to January 1991 the Brownsword company, which owns the quintessentially English Gordon Fraser and Forever Friends, reported turnover of nearly £45m and pre-tax profits of £19.7m.

Hallmark Cards is one of the biggest privately owned com-panies in the US. It is based in Kansas City, Missouri, where founder Joyce Hall started selling postcards in 1910. Mr Hall, who was named

after a bishop and constantly received mail addressed to Miss Hall, died aged 91 in 1982, handing the business on to his son, Donald J Hall.

The company employs 700 artists and offers cards for every occasion – from birth to death, taking in all stages of modern American courtship, including a request for information on a partner's HIV sta-

In the UK, Hallmark has 140 retail outlets known as Hall of Cards, where it offers its collection of brands including the Snoopy range. Mr Brown-sword, 46, will assume overall responsibility for the combined group's operations in the UK and Ireland. Neither Mr Brownsword or

Mr Don Read, Hallmark UK/ Ireland's group managing director, were available for comment yesterday. But Mr Read said in a press

statement that the merger "brings together two of the leading names in the greetings cards business and offers exciting growth prospects for the industry as a whole."

Brownsword Currency gains and strong demand help De La Rue

By Andrew Bolger

STRONG demand for banknotes and currency gains helped De La Rue, the security printer and cash handling machine group, increase pretax profits by 44 per cent to £66.1m in the six months to Santember 30.

De La Rue's shares rose by 18p to 772p after the group said it would pay a higher proportion of its dividend at the interim stage and lifted the payment by 56 per cent to 6p Although the second half

was unlikely to benefit from a similar move in exchange rates, the group said it was confident that profits before exceptional items would be not less than in the same period last year. Mr Jeremy Marshall, chief

executive, said: "The improved profitability of our security printing operations, the resilience of our payment systems in Germany - and the strong result from our associated com-panies have all contributed to this excellent result."

The group said security

printing continued to benefit from strong demand for their products, with banknote production at record levels. Operating profits rose from £19.8m to £25.9m. The substantial improvement in margins on continuing operations from 17.8 per cent in the first half of last year to 24.8 per cent this year arose from an increase in

the proportion of more profitable banknote business. The company expected margins for the full year would exceed those of last year, but were unlikely to be maintained at the level achieved in the first half. Order books remained strong, and in the key businesses extended well into the next financial year.

Payment systems increased operating profits from £16.9m to £17.7m. The group said order books were also strong, although trading conditions in Germany remained difficult.

Group turnover was flat at 2273.4m. Cashflow from operations of £45.6m (£37m) helped increase net cash to £301m, up from £17tm at the

year-end. Mr Les Cullen, finance director, said De La Rue was less well placed to hand back cash to shareholders than Reuters, the international business information group, which had considerable unrelieved advance corporation tax. However, gross funds could still benefit from an ACT credit on any cash distribution and if this were to be time-limited by the budget, the group would

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examine the position.
Under FRS 3, which includes gains from the sale of discontinued operations, earnings per share rose by 46 per cent to 24.8p (17p). Using the definition of earnings suggested by the Institute of Investment Management and Research, which strips out certain non-recurring items, earnings grew by 30

Ascot cuts deficit to £0.6m

By Catherine Milton

ASCOT HOLDINGS. debt-laden property, brewing and leisure company formerly known as Control Securities, cut pre-tax losses from £68.5m to £555,0000 in the six months

to September 30.

Profits in the comparative period were struck after a 51.8m write-down of assets. The company finalised a financial restructuring in June in the wake of difficulties which began in 1991 when the Serious Fraud Office investigation into the Bank of Credit and Commerce International led to charges against Mr Nazmu Virani, who subsequently resigned as chairman and chief executive of Control

Securities. The shares were suspended and a review of asset valuations caused the company to breach borrowing covenants after substantial property

Net borrowings at the half way stage stood at £197.5m (£234.3m) following 30 property

disposals and the conversion of about a quarter of the company's £75m worth of Eurobonds into preference shares. The balance sheet shows a negative net worth of £18.6m (£31.8m). The shares, which resume trading on June 30, yesterday

closed up %p at 5%p. The year-end results were qualified. A review report on the interim figures by Parnell Kerr Forster, the auditors, noted that continued trading required the support of the company's bankers and other creditors.

As part of the financial

🔾 RENFE

ESPANOLES

US\$500,000,000

In accordance with the

per US\$100,000 note

JPMorgan

RED NACIONAL DE LOS FERROCARRILES

Floating rate notes due 1998

Unconditionally guaranteed

by THE KINGDOM OF SPAIN

in accordance usin the proofstors of the notes, notice is hereby given that for the str. months interest period 17 November 1993 to 17 May 1994

the notes will carry an interest rate of 3.375% per annum. interest payable on 17 May 1994 will amount to US\$169.69 per US\$10,000 note and US\$1,696.90

Agent: Morgan Guaranty

restructuring the company's bankers have agreed, under their standstill agreement, to continue existing facilities to the company for a year to June

16 1994 Turnover rose to £48.9m (£47.8m). Operating profits of £10m (£3.25m) reflected lower exchange losses of 23.45m (£12.6m) on the Swiss France bonds, improvements in the hotel and brewing operations and a decline in pubs and property.

Interest charges fell to £11m (£17.3m). Losses per share were 0.6p (16.7p).

CORRECTION

NOTICE

MAES Funding

No. 2 PLC

£300,000,000

Mortgage Backed

Floating Rate Notes due 2017

fixed at 6-1875% for the interest period 11th November, 1993 to 11th

The Interest amount payable on 11th Pebruary, 1994 will

be £630-07 in respect of each

£38,600 Principal Amount

Outstanding of each Note.

the Rate of Inter

bruary, 1994.

DIA	TDENDS	ANNO	UNCEL		٠.
	Current payment	Date of payment	Corres - pending dividend	Total for year	Total last year
BAA	int 6.75	Jan 24	6.25		16
De La Rue	int 8	Jen 28	3.85	-	17
European Motor	nt 1.725	Jan 11	1.5	- ·• ·	3.5
Ferreris	fin 1.25†	Jan 20	1	2 .	1.
PKG	nt 1.5	Jan 24	1.2	-	3
Marsballs	int 1.25	Apr 6	1.25	- '	4
VTR §	fin 2.55	Dec 22	2.2 -	3.75	3.4
Wood (SW)	nt 0.75†	Mar 31	0.5		1.25

Dividends shown pence per share not except where otherwise stated. †On increased capital. §USM stook.



BTP plc

U.S.\$50,000,000

Senior Unsecured Notes due 2003

November 1993



Unigate PLC

U.S.\$140,000,000

Senior Unsecured Notes

due 2001, 2002 and 2003

November 1993

MEYER [©]

MEYER INTERNATIONAL PLC

U.S.\$25,000,000

Guaranteed Senior Unsecured Notes due 2003

September 1993

Powell Duffryn International Finance B.V.

U.S.\$50,000,000

Senior Unsecured Notes due 2003

guaranteed by

Powell Duffryn plc

The undersigned arranged the private placement of the above securities.

S.G.WARBURG

September 1993 By: The Chase Heabsthat Book, K.A. Lamino, April Bank November 17, 1993

U.S. \$200,000,000



Exterior International Limited Guaranteed Floating Rate Notes due 2001

Unconditionally Guaranteed as to p of principal and interest by

Banco Exterior de España, S.A. (Incorporated with limited liability in The Kingdom of Spain) Notice is hereby given that for the six months interest Period from November 17, 1993 to May 17, 1994 the Notes will carry an interest Rate of 3.4375% per annum. The interest payable on the relevant interest payment date, May 17, 1994 will be U.S. \$172.83 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

November 17, 1993



CHASE

THE LATIN AMERICA INCOME AND APPRECIATION FUND N.V.

Consistent with the authorization granted by the Board of Supervisory Directors on November 12, 1993, notice is hereby given that the Fund's Managing Director has declared a distribution of US \$0.50 per Class A Share and an equivalent amount on a yield basis for Class B Shares, payable on December 11, 1993 to the class of the payable of the class of the 31, 1993 to common shareholders of record at the close of business on December 23, 1993, in the case of shares held in registered form, or upon presentation of coupon number 6 attached to the common share certificate to the Fund's

DIVIDEND NOTICE

Administrator (on or after December 31, 1993), in the case of common shares held in bearer form. By order of the Managing Directo Administrator, Managing Director and Location of Principal Office MeesPierson Trust (Curação) N.V.

Investment Manager Scudder, Stevens & Clark, Inc.



European Investment Bank NLG 500,000,000 Floating Rate Bonds 1992 due May 15, 2002

notice is hereby given that for the interest Period from November 15, 1993 to February 15, 1994 the Interest Rate has been fixed at 5.47 per cent. The Interest Amounts, payable on February 15, 1994, will be for the denomination of NLG 10,000: NLG 139.79 for the denomination of NLG 100,000: NLG 1,397.89

for the denomination of NLG 1,000,000: NLG 13,978.89 Rabobank Nederland Utrocht, the Netherlan November 15, 1993

U.S. \$100,000,000 DEN DANSKE BANK Den Densim Bank al 1871 Abdies Perpetual Subordinated Floating Rate Notes scordance with the provisions Notes, notice is hereby given t

ore vices, notice is leavely given the for the interest Period from November 17, 1983 to May 17, 1994, the histor will carry an interest Rate of SA's per amount. The interest payable against Coupon No. 19 on the relevant interest

HIMC MORTGAGE NOTES 4 PLC £150.000.000 29,000,000 Cless B Mortgage Backed Flos

Notice due August 2021
Notice la hereby given that for the interest Pariod from November 15, 1693 to February 16, 1994 the Claise A Notice and Class B Notice will carry interest instee of 5,9675% and 8,8676% respectively. The interest populate on the rolevant interest populate

THE KOREA EUROPE FUND LIMITED . International Depositary Receipts issued by Morgan Guaranty Trust Company of New

Notice is hereby given to the IDR-holders that the Kores Europe Fund Limited declared a distribution of L.50 cents not per share. The record date of this dividend is Notice is hereby given to the highest control of the record date of this dividend is declared a distribution of L.50 cents not per share. The record date of this dividend is October 28th, 1993, payment of coupon number 6 of the international Depository Receipts will be made is US Dollars at the set rate of USD 7.25 per IDR after deduction of depository face USD 0.25.

This dividend has suffered a deduction of 20% UK withholding tax.

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Payment will be made at one of the following offi Company of New York - Bruspis, 35. Avenue des Arm

Morgan Gentanty Trust Comp 35, Avenue des Ans, 1040 Bre



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Sec. 34.

All-round increases help FKI rise to £22m

IMPROVED performances from all five divisions helped FKI, the electrical engineering group, to a 41 per cent rise to £22.1m in pre-tax profits for the six months to end-September.
Mr Jeff Whalley, chairman,
said yesterday the figures

showed the management's ability to deliver improved results even in difficult conditions." The profits improvement, up from last time's £15.6m, was

achieved on turnover ahead some £62m at £394m. Exchange rate movements accounted for £1.8m of the profits increase and most of the increase in

Earnings per share rose from 2.56p to 3.52p and the interim dividend is raised from 1.2p to 1.5p. The shares closed up 5½p yesterday at 183½p. Mr Whalley said the group

had continued with its strategy of raising margins while turnover was expected to remain steady. The average margin rose to 6.5 per cent in the half from a previous 5.5 per cent, and he expected to hit the target of 10 per cent in 1995.

A further £3m was spent on restructuring in the half, and another £3m would be spent in the second half. By the end of the year the number of people

employed by the group would be below 11,000, compared with 13,500 three years ago.

The group operates through materials handling, automotive, engineering and process

The first three operate pri-marily in the US, which accounted for 53.6 per cent of group profits in the half, against 39.5 per cent last time. The materials handling division boosted operating profits by 83 per cent from £4.4m to 28.2m on turnover of £98.3m (£82m). The group attributed the rise to aggressive cost cut-ting, the discontinuation of

unprofitable lines and productivity gains.

The decline in orders from British Coal had hit orders in the UK, but this had been anticipated and the group had won an order to China.

The automotive division lifted operating profits from £125,000 to £1.7m following a rationalisation programme in North America. Difficult market conditions in Europe had been offset by North American

Operating profits in the hardware division rose to the group completed the need to tread carefully along £66.5m cash acquisition of the acquisition path.

Truth, the US manufacturer of hinges, operating and locking mechanisms for windows and doors. Mr Bob Beeston, chief executive, described the acquisition as "very exciting", and predicted a strong contribution

Gearing at the end of the half was 20 per cent (24 per cent). The Truth buy lifted it to 58 per cent, but 50 per cent was expected by the year end.

FKI is delivering exactly what it set out to do when the new management team took over last year - to boost the group's profitability on flat turnover. This has been achieved through increased prices, pro duction improvements and well focused capital expenditure. The business is now generating a lot of cash. Margins continue to improve, and while a target of 10 per cent by 1995 one would now be surprised if the target was hit. The acquisition of Truth could add as much as 1p to earnings per share next year. An earnings forecast of 8p per share for the year gives the company a p/e of 22.5. This might look justi-27.9m (26.7m). On November 5 fied now, but the group will

BAe sells data processing operations

data processing operations to Computer Sciences Corporation, a US computing

The contract, Europe's largest data processing outsourcing deal, is expected to be worth a minium of \$900m over 10 years to the US company. BAe said its costs savings would be

'substantial" but declined to give exact Outsourcing, where an outside organpurchase of Dvoit, the data processing

isation takes over a company's computers and data processing staff and pro-vides an agreed level of service against an agreed fee, is growing in popularity as companies increasingly concentrate on core activities.

BAe said it would retain responsibility for its information technology strategy together with "sensitive" computer

TEPNEL Diagnostics, which

was floated on the USM almost 13 months ago, reported a maiden loss of £1.38m for the

period from June 11 last year

to this September. In the flota-

tion prospectus, losses were forecast to be £1.28m.

Turnover was £31,000 and

the loss included £931,000 of

research and development

CSC would take control of the data of CSC Europe, said he believed that centres, networks, applications soft-BRITISH AEROSPACE is selling its ware and distributed computing systems used by its business units including Military Aircraft, Royal Ord-nance, British Aerospace Systems and Equipment, the headquarters organisation and the Sowerby Research Centre. It is understood that the final short list for the contract included EDS of the US, a subsidiary of General Motors, and IBM. Last week EDS won the first of the government's "market testing" out-

> arm of the Driver and Vehicle Licencing Centre.
> The BAe agreement dwarfs CSC's deal earlier this year with BHS, worth £100m over 10 years, but it is still smaller than its deal last year with General Dynamics of the US which is

sourcing contracts from CSC with the

worth \$3bn (£2bn). Mr Ron Mackintosh, chief executive meetings with BAe and CSC.

Losses per share were 6p. Sir David Trippier, who

became executive chairman a

month after the float, said that

the first product using Tepnel's

Daras technology for the

screening of DNA patterns of

specific diseases would appear in June within the life science;

Thereafter two other prod-

ucts using the technology

would be launched into the

infectious disease and cancer

clinical research market.

Tepnel expects first product next June

test market, and then by the end of 1995 Tepnel would intro-

duce a product into the blood

analysis market, which includes the Blood Transfusion

Sir David said that Tepnel's

competitors' technology was

"behind ours for speed of test-ing and for quality, with no

false negatives or positives".

He said that contracts had

the company's expertise in the aero-space business had been the key factor in winning the deal. CSC would carry out three months of due diligence with BAe; the contract was expected to be signed in the spring of 1994.

It will involve the sale of BAe's data processing assets to CSC for about £75m. Some 1,250 staff will be transferred to CSC together with IBM, ICL and Digital Equipment computers from a variety of sites through the UK. MSF, the technician's union, said BAe staff were "bitterly disappointed" by

the deal which would be a real threat to the security of the business. Mr Ron Ralph, BAe officer for the north-west, said BAe had put short term financial considerations in front of long term security. MSF was concerned transferred and would be seeking early

been signed with Strato Con-sulting of London and Pathway directive on milk testing. That

Laboratory Services at Leices-

ter University to make the kits.

residue analysis system) test range was behind schedule, as

Sir David had announced at

the interim stage, but was also

forecast to be launched in

At the float, Tepnel said the

milk industry would be the

first market to be addressed

The Faras (Food antibiotic

highest priority on protecting the inter ests of the employees who will be trans-ferred to CSC", and had emphasised the need to maintain equivalent terms and conditions together with comparable training and development programmes and career opportunities.

Mr Mackintosh said redundancies would be "minimal". No decisions would be taken until the completion of due diligence.

CSC is a leading computing services company employing some 26,000 people with revenues of \$2.5bn. It has been making assiduous efforts to grow in

Europe through acquisition. The BAe deal means it will expand from 750 people in the UK to over 2,000. It will have more than 3.000 staff in Europe. It expects revenues of about \$150m from the first year of the BAe contract, giving it total revenues in Europe of over \$400m.

legislation has now been

delayed until next year, so the

Faras delay has had little detri-

Sir David said the market

was excited about Tepnel's

"technology sharing" agree-

ment with Drug Screening

Systems Inc, because of its

drug of abuse screening prod-

uct, especially in the light of

home secretary Mr Michael Howard's pledge to screen pris-

mental effect.

OBITUARY

Don Farrell bring

DON FARRELL, former chief sub-editor of the Financial Times UK Companies Desk, died at the weekend after a

Don, aged 60, joined the FT in 1960 after working for Exchange Telegraph, the general and financial news

He had to relinquish his position as chief sub after a heart attack in the early eighties and in the following years developed another important role on the paper. He became a mentor to many young journalists, being an expert on the nuts and bolts of profit and loss accounts and balance sheets. This knowledge he would freely impart_in a patient and kind way, with

In his later years, Don became an inveterate traveller, going to America and Australia, with a renewed zest for life. He was an ardent sports fan, following Arsenal for football and Middlesex for cricket, and his interest in the plea-sure aspects of life were wide-ranging, including a keen interest in motoring.

Don was a private man and an FT institution in his own right. He was due to retire at the end of the year and was looking forward to spending more time with his family. He will be sorely missed by us all.

Mr Jim Flavin, chief execu-

tive, indicated that the company's flotation plans may now be brought forward to next year, instead of 1995.

dell Roberts at the end of last year and increased its holding in Pyffes to 11 per cent.

recycler of waste oils. The company said that following the acquisition activity

us all. two largest being the Bank of Ireland and Irish Life.

DCC may flotation forward

PROFITS OF DCC, the private Dublin-based industrial holding company, rose by 59 per cent to I£8.31m (£7.8m) for the six months ended September 30. No turnover figure was

Barnings per share were 43.2p, up 52 per cent on last time's 28.5p.

ity stake in Printech and War

More recently it increased its stake in Flogas to 60.3 per cent and took a 29.9 per cent stake in Greenway Holdings, for-merly Kingston Oil, the UK

of the past year net debt stood at 1£13.2m, being 13.9 per cent of shareholders' funds. DCC is 95 per cent-owned by institutional investors, the

General Accident

IMPROVING TREND CONTINUES

9-MONTHS' RESULTS 9 Months 9 Months to 30.9.93 to 30.9.92 Estimated Estimated **General Premiums** 2,859.8 3,117.0 Life Premiums 607.0 555.4 329.0 Net Investment Income 354.1 (374.4)(173.3)Underwriting Loss (35.1)Profit/Loss before Taxation 206.1 Profit/Loss attributable to Shareholders (31.2)174.6 (7.2p)Earnings per Ordinary Share 35.6p

- Pre-tax profit for the nine months of £206.1m follows a profit in the third quarter of £80.5m.
- UK underwriting profit of £27.7m (1992: £133.1m loss).
- Improvement continues in the United States.
- Canada adversely affected by third-quarter storm losses.
- Excellent performance in the Pacific.
- Increased contribution from Life operations.
- Net investment income up 7.3%.
- Current solvency margin 52.7% (excluding Life).

General Accident has transferred the ownership of its life company from General Accident Fire and Life Assurance Corporation Limited, the group's principal non-life insurance subsidiary, to General Accident plc, the parent company. This structural change separates General Accident's life and non-life operations in line with the Insurance Companies Act 1982. The transfer is based on the embedded value of the life operations at 31 December 1992 and will increase the reported current solvency margin worldwide by around 8 points.

Nelson Robertson, Group Chief Executive, commented: "A profit of £80m in the third quarter confirms that the positive trend of improvement announced at the half year is continuing."

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

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FINANCIAL FIMES

Notice of Interest Rate To Holders of

Republica Federativa do Brasil Series A-I, IDU Bonds Due 2001

Series A.I. IDU Bonds Due 2001

Notice is hereby given that the next interest payment date for the above-mentioned Bonds will be January 4, 1994. Interest will accerve at a fixed rate of 8.75%pa for the 184 day period from July 1, 1993 to and including December 31, 1993 and at a floating rate of the Libth Rate plus 13/16 of 1%pa for the 3 day period from January 1, 1994 to but not including January 4, 1994. Pursuant to the terms of the Bonds the rate at which the Bonds hear interest from January 1, 1994 to January 4, 1994 will not be determined until two business days prior to January 4, 1994 will not be determined interest amount payable on the Bonds on January 4, 1994 will not be determined carlier than December 30, 1993.

MORCAN GUARANTY TRUST COMPANY OF NEW YORK as Fixed 4 spent and Calculation . 45 mm

COMPANY NEWS: UK

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New London Capital plc

Placing by S.G. Warburg Securities of 60 million Shares at a price of 100 pence per Share

Copies of the Listing Particulars relating to the Placing and contains feares will be available during normal business hours on any day (So

S.G. Warburg Securities Ltd., 1 Finsbury Avenue,

London EC2A 2HS

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SPARBANKERNAS BANK (SWEDBANK) Yen 3 billion 7% Bull Bonde due 25 November 1993 Yen 3 billion 7% Bear Bonds Bull Bands: ¥3,216,000,000 (107.20%) Bear Bonds: ¥2,121,000,000 (70.70%)

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PowerGen moves into Marshalls rises oil and gas production 59% to top £10m

POWERGEN, the electricity generator, yesterday made its first move into oil and gas production when it bought a 3.9 per cent stake in exploration blocks covering Liverpool Bay from Monument Oil and Gas.

Mr Simon Williams, an analyst with Kleinwort Benson Securities, said the investment made sense and should not worry shareholders concerned PowerGen knows the field

well because it is contracted to buy the gas for its Connah's Quay generating plant, he said. "It is a toe in the water which involves limited

Monument is reducing its stake to 20 per cent in the Liverpool Bay blocks, 110/13 and 110/15, through the

The consideration is £45.5m at July 1 plus interest payments and up to £3m more over the next two years depending on exploration

would release cash for investment and reduce future debt, without materially reducing exposure to Liverpool Bay. PowerGen said the purchase.

subject to government consent. would be funded from the com-Mr Ed Wallis, chief executive, said the company was

cash positive and would move only slightly into a negative cash position towards the end of the year. The company's interest in Liverpool Bay began when it contracted with Monument

and Hamilton Oil, operator and joint developer of the fields in the blocks, and others to buy gas for Connah's Quay in North Wales We have said many times we want to move upstream," said Mr Wallis. "Hamilton was

safe hands." Mr Wallis said Liverpool Bay and Connah's Quay would start to contribute to earnings in 1995 with the full benefit of

the first company to get gas out of the North Sea. We are in

onwards. "At this time Power-Gen will be the largest single consumer of gas in the UK, one of the largest gas-markets in Europe," said Mr

PowerGen expects to contribute about £40m to development costs of the Liverpool Bay field in the next year.

National Power, the UK's

largest electricity generator, already has unstream assets through its 24 per cent stake in Seafield Resources and 10 per cent share of the Victor gas field

PowerGen's other interests in the gas market include its Kinetica joint venture with Conoco which is the second largest distributer of gas in the UK with a claimed 25 per cent of the available market.

It also has a combined-heat and power subsidiary which recently signed a contract with Grovehurst Energy for the supply from a gas fired plant of 80MW of electricity and 200MW of steam to three Kent paper

Pre-tax profits during the six months to the end of September rose by 59 per cent from £5.41m to £10.2m. Analysts forecasts had ranged from £7m The rise in the share price

By Andrew Taylor, Construction Correspondent

was helped by optimistic comments from Mr Andrew Marshall, chairman, about the trading outlook for building material sales. He said the latest "results had been achieved within an

economic climate that was gradually improving, particu-larly in housing." This had been partially counterbalanced by a further decline in commercial construction." The improvement in the housing market had enabled the company to raise prices for some of its bricks and-concrete

products. Group turnover in the first half rose by 10 per cent from £93.2m to £102.2m. The profits rise was also

assisted by a reduction in interest charges from £1.67m to £1.09m. Earnings per share grew to 3.87p (1.85p) leaving an unchanged interim dividend of 1.25p, covered more than three

THE SHARE price of Marshalls, the Halifax-based The number of bricks sold by the group in the first half rose building materials group, jumped by more than 8 per cent to 113p yesterday, after from 77m to 87m. This was due, said Mr Marshall, to the housing market improvement the company announced better as well as the elimination of than expected half year profits. the surplus capacity in the brick industry.

Prices of specialist engineer-ing bricks had risen by about a fifth. The fall in the price of facing bricks had been stemmed and in one or two cases had even seen a small increase, he said. Operating profits in the brick division had risen from £515,000 to

The concrete products division increased profits by 17.5 per cent from £7.5m to £8.9m. Prices for concrete products had become a little firmer over the summer, while volume sales had increased, particu-larly for concrete block paving which was winning market share from rival building mate-

Costs across the group had also been reduced to improve profitability, said Mr Marshall. Analysts said yesterday that they were expecting pre-tax profits for the full year to rise to about £16m compared with £12.4m the previous year.

Biotrace International valued at £40m after placing at 130p

By Paul Taylor

SHARES IN Biotrace International, the South Walesbased biotechnology group which is being floated on the Stock Exchange, were yesterday placed firm at 130p, valuing the company at

Allied Provincial Securities placed 7.15m shares, represent-ing 23.2 per cent of the

We do.

enlarged share capital, including some 4.6m shares placed on behalf of the com-

Biotrace was founded five years ago by Mr Ian Johnson, a former Welsh Water microbiologist, and Mr Colin Griffiths,

The group manufactures a range of rapid testing instruments and chemical reagents to monitor hygiene levels and

nants in the food and drink and other sectors.

Uni-Lite, the group's briefcase-housed portable product, provides a quick electronic test to check food industry hygiene on the production line - neces sary to meet increasingly tough legislation and protect brand names and reputations. Like the group's other prod-

ucts it uses luciferase - a natural phenomenon based on the enzyme which makes fire flies glow - which emits light when it comes into contact with a substance called Adenosine Triphosphate which is present in all living cells including bac-

An electronic instrument called a luminometer is then used to measure the

The group's rapid hygiene and microbial testing systems are mainly supplied to the international food and drinks industry although it has a growing number of customers in other sectors including cosmetics and pharmaceútical

manufacturers After spending £299,000 on research and development, Bio trace incurred a pre-tax deficit of £113,000 on turnover of £1.71m in the 12 months to

July 31. Mr Griffiths, the finance

international market penetra tion of Uni-Lite.

Dealings in the shares are expected to begin on Novembe

Enlarged SW Wood at £0.75m

WITH "good performances" from all activities SW Wood, the specialist printing and packaging group, achieved a 77 per cent improvement in pre-tax profits to £750,000 for the six months to end-Septem-

The results of recently-acquired Albert Gait were included for some three months.

Turnover advanced from 64.9m to £6.27m. The acquisition added £1m to turnover and £135,000 to profits. Tax rose to £247,000 (£140,000) and earnings emerged at 3.3p (2p). The interim dividend is lifted to 0.75p (0.5p).

The directors are proposing a name change to Wyndeham Press following the withdrawal from metal trading.

Throgmorton Prefd placing raises £59m

nary shares in Throgmorton

Ferraris rises

to £681,000 Profits at Ferraris, the medical

equipment and specialist engineering group, rose from £191,400 to £681,100 pre-tax for the year to August 31.

Turnover of continuing operations edged ahead from £10.4m to £10.6m - comparative figures have been restated. Earnings rose to 6.1p (1.2p) and a recommended final dividend of 1.25p doubles the total

to 2p.

The directors said they looked forward to another year of "positive growth" in 1994. The shares rose 6p to 75p.

Ario Wiggins takes Polish stake

Arjo Wiggins Appleton, the Franco-British paper group, has taken a majority stake in Nitech, a Polish paper mer-

chant The acquisition is in line with Arjo's strategy to develop its activities in central and eastern Europe in order to maintain its position in the enlarged European market

Standard Chartered Malaysian move

Standard Chartered is to incor-

locally incorporate their

ld between foreign and loca banks in terms of access to

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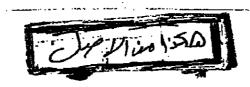
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showing particular interest.

250km cable from Bristol to

Plymouth installed by next year. Energis, the National

Grid's telecoms subsidiary to

be launched next year, will be a customer. The initial invest-

ment will be £1.5m.

Mr John Seed, SWEB chief executive, said: "We think we

can make money out of it, and

are in a position to offer ser-vices not just to Energis, but to

the cable TV companies and

communications operator

licence, SWEB cannot offer ser-

vices directly, but only

through an operator with a

SWEB's plans to have a

#Section 1997

Enlarged

in wood

it £0.75m

Marian person

ITH WESTERN Electricity terday announced plans to d a fibre-optic telecommuations network at a cost of east £10m. he regional network, to be

sted on the company's elec-ity pylons, will be leased to er telecoms suppliers. WEB is the third of the 12 vatised regional electricity tribution companies in gland and Wales to make a nificant investment in the

BT and Mercury." Since it lacks a public teleacoms sector. Since the end of the BT/Mery duopoly in 1991, many w operators have entered UK market. The privatised utilities, keen

diversify and with regional

heffield

nsulations

ives court

indertakings

the supply of insulation

oducts in 1986. These agreements were

leged by the Office of Fair

rading to have been in exis-

mee for only a fairly short

me at the end of that year

nd were said to have

ttempted to fix maximum

iscounts for the supply f certain insulation materi-

Sheffield Insulations consis

ently denied that it had been arty to such agreement, but

n agreement to continue the

in the basis of variable

lscounts from list

ccepted that there had been

ong-standing and accepted

ractice of quoting prices

The company said this was

ot effective to limit in any

ray the prices paid by the cus-

omer and it was on this basis

Last month South Wales French diversified services

THE ELIMINATION of losses from discontinued businesses reffield Insulations Group's helped Kembrey, the Sheffieldbased electrical connector and ıbsidiary, Sheffield Insulaaccessory manufacturer, report ons, has given undertakings the restrictive practices art not to give effect to cera marked recovery at the interim stage. in agreements which related

Mr David Burnet, chairman, said the outcome for the six months to October 2 - pre-tax profits of £29,000 compared with losses of £304,000 - also

and lower interest rates. Interest payable dipped from £382,000 to £218,000; gearing at the period year was 93 per cent, down from 98 per cent in Turnover totalled £9.37m,

ioint venture with Interna-

tional CableTel of the US to

build a cable TV and telephone

network covering most of

Yorkshire Electricity is

engaged in a £40m joint ven-ture with Kingston Communi-

cations, the independent opera-

tor in Hull, to provide a regional service. Yorkshire is

also a shareholder in Ionica,

the independent company plan-

ning to launch a national,

radio-based telecoms network

Separately, Yorkshire Water

has taken a stake in a joint

venture to build a cable net-

work for Yorkshire in partner-

ship with Singapore Telecom

and Générale des Eaux, the

urban South Wales.

in 1995.

against £11.8m. Earnings per share emerged ous losses of 1.08p.

VTR more than

sion commercials, more than doubled pre-tax profits from £434,024 to £884,144 for the year to August 31. The result included a £110,915 profit from the sale of an outdated original edit suite.

from 3.5p to 7.7p and a recom-mended final dividend of 2.55p makes a total of 3.75p, against

A noticeable upturn in busi-

- in the second half, with prof-

said the current year had started well and further progress was expected. Cash flow remained strong, but continued spending meant that gearing edged up to 76 per cent (72

UK food industry margins narrow

By Guy de Jonquières, Consumer Industries Editor

OPERATING PROFIT margins of British food and drink man-ufacturers have narrowed in the past year from 6.7 per cent to an average of 6.3 per cent, the lowest level since 1987, according to a survey.

The survey, by OC&C Strategy Consultants, part of accountants Coopers & Lybrand, also found that the industry's return on capital fell from 19.5 per cent to 17.9 per cent, the lowest since 1985. OC&C said these declines followed a period of "remark-able resilience" during the recession, when operating margins in the industry held steady at 7.1 per cent on average for three years.

However, the overall figures masked wide variations. Companies with annual turnover of less than £100m fared worse than bigger companies in 1992-93, achieving lower margins and return on capital and slower sales growth. About 40 per cent of bigger companies increased their margins.

That marked a reversal of the pattern in the mid-1980s, when small food and drink companies performed more strongly than large ones.

Nonetheless, several leading branded food companies per formed poorly in the past year. Cadbury Schweppes' profit grew by less than 2 per cent, after rising 15 per cent annually in the two previous

The British subsidiary of Nestlé of Switzerland, the world's largest food manufacturer, suffered a 6 per cent fall in profit, while fierce competition from cheaper brands cut the profit of Heinz UK by 28

By contrast, profit margins increased from 25 per cent to 28 per cent at Walkers, the leading UK potato crisp brand. It was the most profitable UK food company, followed by Kellogg UK, with a 16 per cent margin.

The industry's continental European sales rose 10 per cent to £3.7bn, more than a fifth of which was accounted for by Tate & Lyle.

Strong dollar brings substantial benefits

Sedgwick up to £63.6m

By Richard Lapper

SEDGWICK GROUP, insurance broker, reported pretax profits of £63.6m for the first nine months of 1993, compared with £55.8m for the same period of 1992. Earnings per share for the period were 8.5p, compared with a restated

and expenses both increased by 4 per cent, reflecting an improved underlying trend for

NOBLE & CO, the Edin-

burgh-based finance house,

yesterday completed the plac-

ing of shares in its split capital

Lloyd's investment trust, Pre-

mium Trust and Premium

Underwriting, raising a further £32.3m in funds for the Lloyd's

Some 25 per cent of the issue

is available to the public on a

clawback basis via an offer for

Management will manage the

investment portfolio, while Wellington Members' Agency

Martin Currie Investment

insurance market.

subscription.

the third quarter. Profits also benefited substantially from the strength of the dollar compared to 1992.

Mr Sax Riley, chief executive, pointed to a positive per-formance in the US where brokerage and fee income rose by 5 per cent "in spite of difficult market conditions".

Noble raises further £32m

for Lloyd's insurance market

Noble last week increased

the size of the offer to accom-

modate investor interest and

Mr Tim Noble, chief executive,

said he was "delighted" with

the response from institut-

PT will receive £19.8m of the

issue and PU £13.2m. After

deducting issue costs and a

reserve for initial expenses. PIJ

will lend £12.2m to PT interest

free for 10 years in return for

an undertaking by PT to

pledge a total of £31m to Lloyd's. This in turn will per-

7.8p. Brokerage and fee income "remain difficult, shortage of capacity being the main fea-ture," added Mr Riley.

Brokerage and fee income rose to £551.2m (£465.3m). A fall in investment income to £33.2m (£37.8m) was partially offset by a reduction in interest payable to £10.1m (£11.5m). Expenses rose to £509.7m

On the other hand, conditions in the London market profits of £600,000.

has negotiated capacity on 45 mit PU to support Lloyd's syn-syndicates listed in the pro-dicates underwriting up to

(£435.7m).

Operating profit increased to £74.7m (£67.4m). Share of associates' losses increased to £800,000 (£700,000). Insurance underwriting losses amounted to £200,000, compared with

Shareholders of PU will

receive all underwriting profits

for seven years, while PT will

operate within the guidelines

of an investment trust for tax

purposes. Shareholders of PT

will receive all the income and

capital gains for 10 years

on an initial portfolio of some

Shares will be offered as a

unit at £10 apiece and capital

raised on a 60/40 basis between

PT and PU respectively. The minimum application will be

for 300 units, or £3,000.

Second-hand endowment trust launched

By Philip Coggan, Personal Finance Editor

NEW investment trust which will invest in second hand endowment policies is being launched by Exeter Asset Management and Teather & Greenwood, the bro-

There is a growing market in with-profits endowment policies, with policyholders finding it more rewarding to sell their policies rather than to surrender them to the insurance company. Investors are attracted to these second hand policies by their relatively steady returns.

The Exeter Geared Endowment Policy Trust will have an unusual structure. It will have gearing, via a zero coupon debenture stock. Although this will not pay interest, the capi-tal roll-up on the debenture will be an allowable expense

for tax purposes.

As well as endowment policies, the trust will buy income shares of split capital investment trusts. It will be able to offset tax on this income against the roll-up on the zero. enabling it to receive the dividends gross. This income can then be used to fund the continuing premium payments on the endowment policies.

The fund managers expect a return of about 10.85 per cent per year over the trust's 15 year life. Further details will be available when the prospec-tus is published next week.

Baring Stratton lifts asset value

Baring Stratton, international investment trust concentrating on capital growth, reported a net asset value of 238p per share as at September 30.

The figure compared with 215p at the trust's March yearend and 182p at end-September

Net revenue for the six months to September 30 dipped from £285,000 to £228,000, equivalent to earnings of 1.8p (2.26p) per

Kembrey £29,000 back in the black

reflected reduced borrowings

doubled at £884,000

VTR, which provides post production facilities for televi-

Earnings per share grew

from the beginning of 1993 had continued - and strengthened its up from £158,000 to

Mr Philip Lovegrove, chair-man of the USM-traded grouo,

CI shares tumble on trading setback

SHARES OF CI Group, the steel and engineering combine, yesterday fell 7p to 14p on news of the planned sale of Société Metallurgique de Brevilly, its French-based steel rolling mill subsidiary, and a trading update.

The decision to dispose of SMB was taken in the light of the current downturn in demand in the European automotive industry. Some 70 per cent of SMB's output is directed to that market and for several years the offshoot has incurred losses. The sale will result in a balance sheet writedown of some £2.3m

Group trading in the second half had recently shown a "marked downturn", directors said. Demand and margins for the group's products sold into the late-cycle construction industry had fallen in both the UK and continental Europe. In order to reduce overheads

a programme of redundancies had been implemented at a cost of £250,000. In addition increases in raw material prices had put further pressure on margins across the group.

Overall, the directors expected continuing operations to remain in profit for the year to end-January

CML Micro ahead 10% at £1.65m FIRM progress by the UK

traffic and US semiconductor business enabled CML Microsystems, the USM-traded specialist electronic products group, to record a near-10 per cent rise in pre-tax profits to £1.65m for the half year ended September 30. Sales rose 35 per cent to

£8.42m and operating profits by 25 per cent to £1.25m. The pretax figure took account of a fall in interest income to £398,000 (£503,000).

Earnings per share showed an increase rising from from 5.36p to 5.74p.

Ecosys -the new generation of printers for the next generation.

Ecosys

Standard office printers,

like most other office technology, are a potential threat to the environment. Not only do they add to the considerable waste problems we face today, but they also leave an unpleasant legacy for future generations. Unless we do something about it.

The new Ecosys range of office printers is one solution. Unlike other printers, its key components are designed to last the printer's lifetime,

cutting parts replacement down to a minimum. This unique advantage, made possible by Kyocera's expertise in long-life ceramic technology, translates into a dramatic reduction in costly disposal. Costly

to the environment and to your pocket. Plus it can print continually on recycled paper, something that most normal printers can't do.

As an investment,

the Ecosys is not only an economical choice (with operating costs of up to 2/3 less than those of a conventional printer), it's also an ecological one. Ecosys from Kyocera.

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THE LONDON cocoa futures market yesterday broke through the £1,000-a-tonne barrier for the first time in more than five years as technically-inspired buying by New York investment funds continued to fuel the recent uptrend. Early trading saw the March position leap to £1.025 a tonne, but expectations of strong

and £1.060 - a former support level - took the steam out of the market and the price dipped back below £1,000. It steadied again in late trading, however, to close at £1,013 a tonne, up £20 on balance.

Analysts were divided about the technical picture. Some saw it as unequivocally bullish, while others were concerned about the big "chart gap" left by the £66-a-tonne resistance between that price surge over the past week. And

there were doubts about the timing of the move - when west African crops were just beginning to be harvested. Unanimity remained, how-

ever, on longer term factors, which London trader GNI said pointed to the start of a bull market that could see prices tripling over the next three years. After two production deficits demand is generally expected to outstrip production for several more years.

India confident of Fresh price near-record tea crop

By Kunal Bose in Calcutta

INDIA, THE world's biggest tea producer, is now confident of harvesting a crop of about 740m kg this year, up from 703.9m in 1992. The country's record crop of 741.7m was achieved in 1991.

By the end of September the harvest was already 36.5m kg ahead of last year's first nine months and industry officials say preliminary production reports for October are highly In the year to September

north Indian production was 424m kg, 18.3m kg ahead of the corresponding period of the previous year, while south India's, aided by congenial weather, was more than 18m kg up at 130.16m kg.

The latest figures show that the shift in production emphasis from orthodox to CTC (cut, tear and curl) tea, demand for which is growing both inside and outside the country, is continuing. In the first nine months of the current year CTC production was up nearly 41m kg to 462m kg, but that of

Prices from Metal Bulletin (last

ANTIMONY: European free

market 99.6 per cent. 8 per

tonne, in warehouse, 1,590-1,645

BISMUTH: European free

market, min. 99.99 per cent, \$

per lb, tonne lots in ware-

CADMIUM: European free

market, min. 99.5 per cent, \$

per lb. in warehouse, 0.40-0.45

COBALT: MB free market,

99.8 per cent. S per lb. in ware-

house, 11.10-11.50 (11.15-11.70);

99.3 per cent. S per lb, in ware-

MERCURY: European free

market, min. 99.99 per cent, \$

per 76 lb flask, in warehouse,

MOLYBDENUM: European

90-108 (same).

house, 10.30-10.70 (10.30-10.80).

house, 2.30-2.50 (same).

week's in brackets).

orthodox tea was down by more than 4m kg to 36m kg. Production of green tea was maintained at 4.4m kg.

By the end of September the government had issued export licences for 116m kg of tea, compared with 107m kg in the same period last year. While exports to the UK were maintained there was a strong revival in demand for Indian tea in Russia. Libya and Egypt also bought more. Poland, however, cut its purchases.

industry officials point out that the current season is witnessing a strong growth in the domestic demand for tea, par-ticularly for the better varieties. This explains the impressive rise in tea prices at the Calcutta auction. The average auction price of Assam CTC leaf so far is Rs52.15 (£1,11) a kilogram, compared with Rs41.43 a kilogram last year. The average for Assam orthodox leaf is Rs56 a kilogram, up from Rs43.82 in the same period last yea. Darjeeling tea is fetching an average of Rs96.38 a kilogram, compared

with Rs83.87 last year.

house, 2.60-2.70 (2.55-2.65).

lb, in warehouse, 4.45-5.25.

kg) WO₃, cif, 27-39 (same).

V₂O₃, cif. 1.35-1.45 (same).

value, \$ per lb. U₃O₆, 6.90.

LME WAREHOUSE STOCKS

(As at Monday's close

MINOR METALS PRICES

record set for Nymex seat

By Our Commodities Staff ANOTHER RECORD has been

set for the purchase price of a seat on the New York Mercantile Exchange, the world's largest energy futures market. The \$375,000 paid last Friday beat the previous record of \$370,000, set only nine days ear-

Mr R Patrick Thompson, president of the 816-seat exchange, said yesterday that the increase in Nymex seat val-ues reflected "the overall growth in exchange volume vident last week in the establishment of an annual record for the 13th time in 14 years. "We expect to see continued

success and opportunities for our members in 1994, especially with the globalisation of our markets reflected in the early success of Nymex Access, our after-hours electronic trading system". The Access system went live

in London two weeks ago.

Platinum oversupply forecast to continue

WESTERN WORLD platinum supply this year will be well ahead of demand, according to

Johnson Matthey, the world's biggest platinum marketing etoud. Nevertheless, it suggests that present prices closely

reflect the fundamental market

position and platinum's price

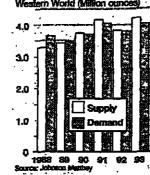
during the next six months is likely to range between US\$350 and \$390 a troy ounce. But the forecast holds only as long as there is no marketdisturbing news from South

Africa or Russia, the two biggest producing countries.

Platinum is heading for a supply surplus for the fourth special interim report on the platinum group metals mar-

This year's surplus is predicted to be 190,000 ounces and will be much bigger than the 20,000 ounces seen in 1992 or the 120,000 ounces for 1991. But the market should be able to absorb it with little difficulty, suggests Mr Jeremy Coombes, general manager, marketing, of JM's precious metals division.

He points out that the platinum market, unlike many western base metals markets, is no longer in turmoil because of Russian exports. Russian export sales have been placed in the hands of one central organisation, Almaz, Which has been selling platinum mainly on long-term contract successive year. JM says in a at volumes similar to those in Supply and Demand in the tem World (Million ounces



1992. Mr Coombes predicts Russian platinum shipments to the west this year will fall by about 100,000 ounces, or 13 per cent, to 650,000 ounces.

He warns, however, that the South African producers, have little room left for further voluntary closures of capacity. "It is difficult for the mines to forego revenue by reducing shipments," he points out. South African producers will continue to increase output until 1997 when their present nent. expansion programmes are scheduled to be completed. "If this aggravates market over-

avoid closure or sale." JM predicts that platinum demand will grow by 6 per cent, from 3.8m to 4.02m ounces, this year, thanks to increased consumption by the automotive and jewellery Automotive industries.

supply and causes further price weakness, the mines with

the highest costs may not

to 1.74m ounces - 42 per cent of total demand - driven by the European Commission's regulations (which have required anti-pollution catalysts to be fitted to more cars) as well as higher car production on the American conti-

Platinum supply is forecast by JM to grow by 10 per cent. from 3.82m to 4.21m ounces. South African platinum ship. ments are set to reach a record 3.25m ounces this year, up by 18 per cent from 2.75m ounces. and represent 77 per cent of total supply.

Platinum 1993 Interim Review Free from Johnson Matthey, 78 Hatton Garden, London ECIN &IP, England.

Foreign mining companies hope to strike it rich in Cuba

Bernard Simon on attractions that make the Caribbean island 'a promoter's dream

THE OFFICES of Joutel Resources in Toronto could easily be mistaken for a Cuban trade promotion agency. Gloosy coffee-table books featuring the Caribbean island lie in the reception area. Geological maps of Cuba dot the walls. and pictures of Cuban government officials line the chairman's bookshelf.

The company last summer became the first western mining company to sign an exploration agreement with Geominera, the Cuban mining agency. Its exploration manager and another geologist will move there soon in the hope of striking rich on the three properites, totalling 1.2m acres, to which Joutel now has exploration rights.

BHP of Australia, the UK's and rewards, Mr Barry Allan, RTZ, and Inco, the Torontobased nickel producer, are among others rumowed to be seeking a foothold in Cuba. US companies are barred from direct involvement by Washington's long-standing economic embargo.

Metall Mining, a subsidiary of Germany's Metaligesellschaft, has already agreed to spend C\$1m (US\$756,000) over four years to acquire a 25 per cent interest in one of Joutel's properties. Another junior Canadian

company, Caribgold Resources, also recently signed a joint venture with Geominera. As in the Joutel deal, costs will be equally shared by the Canadian and Cuban partners. Summing up both the risks

mining analyst at Deacon Barclays de Zoete Wedd in Toronto, describes Cuba as "a promoter's dream". It is "genuinely an under-explored area", he says, while cautioning that "you're talking about very early grassroots exploration and that's a high-risk activity". Mr Hugh Harbinson, Joutel's

chairman, says that "our ambi-tion is to find three deposits in three years." Joutel will be looking primarily for gold, but also for a variety of base metals. Under the agreement with the Cubans, the company has up to eight years to prepare a mine feasibility study. It plans to start an airborne geophysical survey in January.

Pointing to the geological map on his wall and to some

colourful rocks on his deak, Mr Harbinson notes that Russian geologists have already done a good deal of preliminary exploration work in Cuba. Joutel and Caribgold each claim that several hundred mineral occurrences have been catalogued on their properties.

As further evidence of Cuba's mineral wealth, the Canadians point to three nickel mines in Oriente province, on the south-east tip of the island, which have been sizeable suppliers to the former Soviet Union.

The Canadian companies are being backed by a group of securities firms, including Gordon Capital and Thomson Kernaghan of Toronto and Yorkton Securities of Vancouver. ing C\$4m, mostly from Europe. to finance Joutel's share of exploration costs. Caribgold recently raised C\$8m.

Thomson Kernaghan described Cuba in a recent research report as potentially "one of the best new places to invest in Latin America". It cited the island's volcanic origin, educated population and the willingness of the Castro government to allow foreign investors to repatriate profits and dividends.

Mr Harbinson is unconcerned by the threat of political instability. He says that no other claims have been registered against Joutel's proper ties and "we're going on the assumption that any new government will honour our con-

Pakistani farmers prepare defence against increased tax burden

Farhan Bokhari reports on fears that existing indirect taxes may not be taken sufficiently into account

OLSY TRACTORS tow free market, drummed molybdic oxide, S per lb Mo, in warelarge trollies full of rice on a dusty road near 'Mandi Faizabad' - a farm SELENIUM: European free market in central Punjab - as market, min 99.5 per cent, \$ per a group of peasants wait at a nearby traders shop, to be paid TUNGSTEN ORE: European for their crops. It is harvest free market, standard min. 65 time in Pakistan, which for per cent, \$ per tonne unit (10 many is the time to be paid for up to six months of hard VANADIUM: European free labour and grinding patience. market, min. 98 per cent, \$ a lb But a few hundred miles away in Islamabad, the newly URANIUM: Nuexco exchange elected government of Benazir Bhutto is reviewing recent proposals to tax farmers, a legacy of former prime minister Mr Moeen Qureshi. The government's decision on the issue -475 to 2,326,800 would not only affect the wealthy landlords, but could

also have repercussions on the

poorest.

The Qureshi plan focuses exclusively on ending the tax immunity of the more prosperous farmers, defined as those owning between 50 and 75 acres of land, depending on its quality. The move is one of the key demands of foreign aid donors.

Some senior officials are convinced, however, that the proposals could eventually raise inflation rates in rural areas, which would force many peasants to either accept larger financial burdens or move to cities, intensifying Pakistan's growing problem of unplanned There is a growing recogni-

to start paying such taxes, although many are convinced as a means of assessing the

WORLD COMMODITIES PRICES

m, 99.7% purity (S per tonne)

Previous

are already paying were fully appreciated the case against them would be weakened substantially.

"There's a perception that the farmer is non-tax paying. We want to see if this perception is true," says Mr Shah Mehmood Qureshi, the Cambridge educated former finance minister of the Puniab and a member of the national assem-

Mr Qureshi has been appointed to head a task force to examine the taxation proposals and report back to the government next month with fresh recommendations. The committee is trying, a owners that the time has come other things, to evaluate the indirect taxes paid by farmers

agriculture sector's overall Pakistani progressive farmer, contribution to national reve-

"Of course, they have a point that we must pay our taxes, but the taxes that we are already paying must be taken into account when they make this point," argues Mr Afaq Tiwana, another landowner and member of the task force. He claims that, while direct taxes paid by farmers may not visibly appear large, the indirect and implicit taxes make them up to more than a

due contribution to revenues. The indirect and implicit taxes include local duties and the government's monopoly far below the international

Mr Iqbal Mustafa, a famous of whom represent rural areas.

(Prices supplied by Ameigemeted Metal Trading)

AM Official Kerb close Open Inte

argues that up to 60 per cent of the country's indirect taxes are paid by farmers, which is far in excess of the agriculture sec-tor's contribution of 25 per cent to the GDP. He quotes a recent study demonstrating that Pakistani farmers get a price up to 49 per cent below that of imported grain.

Despite the arguments from the farmers' lobby, Ms Bhutto's government is unlikely to scrap all of the new taxation proposals, because doing so, would invite fresh criticism from donor agencies. On the other hand, its also difficult to impose them in full because of newly-elected members of the

assembly - at least 70 per cent

"We [the task force] are neither going to reject it [the proposal] outright, nor accept it in total," says Mr Qureshi. Other senior government officials say that the taxation proposals may be softened by

Some experts see the debate as an opportunity for donor agencies to re-assess their views on the issue.

lowering the tax bands for

The World bank, the IMF and others have really not critically booked at the literature base and the vast amount of information which is available which clearly points to the fact that Pakistani farmers taxed," says Dr Parvaiz Amir an eminent agricultural

MARKET REPORT

News of a substantial fall in US COFFEE stocks pushed futures prices higher in New York and enabled the London Commodity Exchange coffee contract to maintain its early strength. By the close the LCE's January futures position was quoted at \$1,256 a tonne, up \$29 on the day. Some London traders thought there might be a retracement, however. "There may be a little more room on the upside. But if the Brazilians do not buy much coffee tomorrow [for the export retention stockpile), we'll be struggling to maintain current levels," one said. At the London Metal Exchange confidence was

London Markets

D

51 V (€

В **(**:

SPOT MARKETS		
Crude oil (per barrel POB)(Ja	n)	+ or
Dubei	\$14.15-4.20z	+0.04
Brent Bland (dated)	\$16.25-6.27	+0.06
Brent Blend (Jan)	\$15.84-6.86	
(Ise mg t) LT.W	\$17.0 9 -7.11z	+0.05
Oil products (NWE prompt delivery per to	enne CIF	+ 07
Premium Gasoline	\$188-168	
Gas Oil	\$172-173	+1.5
Heavy Fuel Oil	581-62	-0.5
Naphtha	\$148-150	+0.5
Petroleum Argus Estimates		
Other		+ OF -
Gold (per troy ozy	\$375.00	+0.75
Saver (per troy oz)-	458.50c	+6.00
Platinum (per troy cz)	\$376.75	
Paladium (per troy oz)	\$130.35	
Copper (US Producer)	79.5c	-0.5
Lead (US Producer)	32.75c	
Tir: (Kuola Lumpur market)	11.90	-0.15
Tin (New York)	217. 00 c	-0.50
Zinc (US Prime Western)	Unq	
Cattle five weight:	118.37p	+0.19
Sheep (The weight)†\$	85.92p	+5.15
Pigs (itv- weight)†	69.83p	+0.60
London dally sugar (raw)	\$255.5	+1.1
London daily sugar (white)	\$280.0	-0.5
Tate and Lyle export price	\$282.50	+1
Bartev (English feed)	Ung	
Maize (US No. 3 yellow)	£120.5	
Mheat (US Dark Northern)	£185.0	
Rubber (Dec)♥	60.00p	
Rubber (Jan) Y	60.25p	
Aubber (KLRSS No. 1 Jul)	208.5m	
ALECCO (N.L. NOS NO 1 JUL)		
Coconut oil (Philippunes)§		-5.0
Palm Oil (Mələysian)Ş		-10.0
Copra (Philippines)§	\$310.0	
	AAAA N	

undermined by what one dealer described as "a somewhat shaky technical picture" in the COPPER and ALUMINIUM markets, which both added to Monday's losses. NICKEL prices had been firmer but fell sharply in thin after hours trading to end at \$4,620 a tonne in the three months delivery position, down \$35 on balance. The three months ZINC price slipped below \$950 a tonne, but was well supported near \$940 and prices edged off the low to close at \$945 a tonne, still down \$7 on the day.

to 298,050 to 117,894

Compiled from Reuters CRUDE OIL - IPE

High/Low

Jan Feb Mar Apr May Jun Jul	15.7 16.0 16.2 16.3	4 16.12 4 16.30	16.28 16.0
Mar Apr May Jun	16.2 16.3	4 18.30	
Apr May Jun	16.3		45 45 48 6
May Jun	_		10.40 10.20
Jun		9 18.48	16.60 16.30
	16.7	0 16.58	16.73 16.6
1.4	16.8	5 16.72	16.83 18.6
مال	16.8	16,79	16.83 16.7
IPE Ind	lex 15.4	4 15.54	
Turnove	er 16974 (34894)	
QAS OI	L - IPG		
	Cicse	Previous	High/Low
Dec	164.75	163.25	164.75 163.50
Jan	163.50	162.00	163.50 162.50
Feb	162.00	161.50	162.75 161.75
Mar	160.75	160.50	161.50 160,75
Apr	160.00	159.50	160.50 160.00
May	160.00	159.50	160.25 159.75
Jun	160.00	159.75	160.50 160.00
Jul	161.75	161.75	162.50 161.75
Turnova	e 13151 (VA) lots of	100 lonnes
SUÇAR	- LCE		(\$ per t
Wizte	Latest	Previous	High/Low
Mar	275.50	274.30	276.90 274.00
May	279.30	276.80	279.40 277.30
Aug	283.00	281.20	263.00 281.00
		4. A	hite (FFr per tonu

to.7 RAW SUGAR - LCE (cents/lbs)							
	Close	Previous	High/Low				
<u>-</u>	10,36	10.24	10.40 10.28				
ul	10.93	10.86	10.85 10.82				
ct_	10.74	10.89	10.88				
UTTION	er 161 (65)	lots of 50	onnes.				
0601	A - LCE		£/tonne				
	Ciose	Previous	:-ligh/Low				
ec	987	950	981 940				
æ	1013	993	1025 983				
Δy	1004	997	1024 984				
í	1005	994	1022 991				
ap of	1006	996	1024 989				
90	988	972	1000 968				
ar	989	977	1004 969				
ay	993	961	1004 992				
CO In r Nov 5 910.	rdicator pr	i (925.53) 10	10 tonnes per tonne). Daily price day average for Nov S/tonne				
	Close	Previous	Hot/Low				
	1239	1212	1240 1233				
iu Ta	1256	1227	1240 1233				
a-	1228	1211	1231 1220				
	1214	1201	1219 1210				
-, i	1213	1200	1217 1212				
24	1208		1213				
	- 45 48 44	710) lots of :					

COFFE	E - LCE		\$	tona
	Close	Previous	Hjgh/Low	
Nov	1239	1212	1240 1233	
Jan	1256	1227	1260 1240	
Mar	1226	1211	1231 1220	
May	1214	1201	1219 1210	
ᅰ	1213	1200	1217 1212	
Nov	1208		1213	
Tumove	ur. 4545 (1	710) lots of	5 tonnes	
15 Con	acautor proc no. daŭv A	285 (US COM 8 54 687 530	ts per pound) fo 15 day average	r No
(99.06)	 , -	- (U. July	in can promise	93.1
POTAT	OE3 - LO	=	<u></u>	JOHN
	Close	Previous	High/Low	
Mar	100.5		105.0 105.0	
Apr _	89.8	90.3	90.5 88.5	
Tumove	r 60 (228)	lots of 20 1	iganés.	
FREIÇI	IT - LCE		\$10/Index	pok
	Close	Previous	High/Low	
Nov	1300		1320 1300	
Dec	1301	1315	1310 1300	
Jan	1301	1315	1312 1301	
Apr	1311		1325 1320	
Jul	1195		1200 1196	
BFI	1308	1315	1306	
Turnove	76 (15)			
GRAIN	- LCE		EA EA	onne
Wheat	Close	Previous	High/Low	
Nov	96.75	97.40	97,25 97.00	
Jun	98.75	89.55	99.10 98.55	
Mar	100.65	101.40	101.00 100.90	
May	102.65	103.35	102.85 102.60	
Barley	Close	Previous	High/Low	
Jan	103.65	103.80	103.65	_
Mer	105.50		105.75	
iumov=	: Wheel 1	21 (208) Ba	day 5 /15h	
		e (eva) da 30 Tonnes.		
	II			

	1027-28		104; 106	9-14 4.5-65.6	1057/10		1031.5-32 1053.5-54	1049.	E E O T 2	65,295 lots
Cash 3 months	1049-50									
Copper, Gra					_				daily tumo	
	1618.5-1	_	1636	3-39	1623	-	1622-23	102	Carry Carlo	10. 77,000
	1642-43			5-62.5			1645.5-46	1841-	2 2	95,631 lats
Lead (\$ per t	conne)								daily turns	
	399.5-40		400		399.5		399-89.5			
	413.5-14		414-	14.5	415/413	<u> </u>	413-13.5	414-5	2	5,394 lots
Nickel (\$ per	(ecuto)							Total	daily tumo	ver 13,717
	4635-40		4585		4740/47		4661-65			
	4697-70		4845	<u>⊬65</u>	4745/46	20	1720-25	4620-3	30 4	9,519 lots
Tin (S per tor								Tota	daily turns	ver 2,013
	4635-40 4685-90		4850 4700		4745446	-	U\$45-50			
Zinc, Special					4715/48	60 4	695-700	4690-0		466 lots
	928.5-29		_	_	~~~			Total	daily turnov	er 27,588
	946-47		934- 952-		930/929 948-941		29.5-30 47.5-48	944.5-	E	1,916 lots
LME Cleans		be:								49 14 IUIS
SPOT: 1.4855			3 mor	ins: 1.4	1774	6	months: 1	A707	9 n	nonthe: 1,4
LME AM Off	 Clai £/5	spot	rate 1.	4863	-					
			_							
LONDON BL						Na	w Y	ork		
(Prices suppli								O1 1/2		
Gold (Izoy oz	S price	8		E edina	elent_	GOLI	100 trov	02.; \$/tray (
Clase	374,80						Close			
Opening Morning fix	375.00 375.25			nE0 ~				Previous		
Afbernoon for				252.082 151.982		Nav Dec	374.1 374.6	375.2 375.7	0 376,8	0 374.4
Day's high	376.00	-376.	40		-	Jan	375.6	376.7	0	0
Day's low	374.10					Feb Apr	376.6 378.4	377.7 270 5	378.6	376,4
Loco Lda Me	sen Gok	d Les	iding f) eated	/s US\$)	Jun	380,3	379,5 381,3	380.6 381.8	378.4 380.3
1 month	2.7		6 ma	_	271	Aug	382.1	383.1	ō'.~	٥
2 months	2.7	70	12 m	enths	2.73	Oct	384,0 386.0	385.0 387.0	0 387.4	0
3 months	2.7	<u> </u>								388.0
Silver fiz	b/gray	OZ.	1	US cas	eauty	-		roy oz, \$fire		
									High/Lov	
	457.75			307,40		=	Close	Previous		
3 months	457.75 461.15		- ;	307.40 311.40		Nov Jen	363.0	363.0	0	0
months months	457.75			307,40		Jen Apr	363.0 378.8 380.5	363.0 379.8 381,3		0 377.0 380.0
months months	457.75 461.15 464.65			307,40 311,40 315,10		Jen Apr Jul	363.0 378.8 380.5 381.3	363.0 379.8 381,3 382.0	0 380.0 381.3 382.5	0 377.0 380.0 380.0
3 months 5 months 12 months	457.75 481.15 484.65 473.30			307,40 311,40 315,10		Jan Apr Jul Oct	363.0 378.8 380.5 381.3 382.8	363.0 379.8 361,3 382.0 383.5	0 380,0 381,3 382,5 0	0 377.0 380.0
3 months 8 months 12 months	457.75 451.15 464.65 473.30			307,40 311,40 315,10 323,35		Jan Apr Jul Oct	363.0 378.8 380.5 381.3 382.8	363.0 379.8 381.3 382.0 383.5 Oy OZ; Cents	0 381,0 381,3 382,5 0	977.0 380.0 380.0 0
3 months 8 months 12 months GOLD COIRE	457.75 461.15 464.65 473.30 8	ce		307,40 311,40 315,10 323,35	valent	Jan Apr Jul Oct	363.0 378.8 380.5 381.5 382.8 R 5,000 tr	363.0 379.8 381.3 382.0 383.5 Oy 02; cents	0 380,0 381,3 382,5 0	977.0 380.0 380.0 0
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o months months months z months COLD COIRS Grugerrand	457.75 461.15 464.65 473.30 8 S pri 377.0	ce 00-38 50-38	0.00	307,40 311,40 315,10 323,35	esternt	Jen Apr Jul Oct SILVE Nov Dec Jen Mar	363.0 378.8 380.5 381.3 382.8 3 5,000 tr Close 465.5 466.0 457.4 460.7	363.0 379.8 381.3 382.0 383.5 Oy 02; Cents Previous 465.0	0 380,0 381.3 382.5 0 2/troy oz. High/Low	0 377.0 380.0 380.0 0 0
o months in months in months in months Could Count Crugerrand Maple leaf New Sovereig	457.75 451.15 484.65 473.30 8 S pn 377.0	ce 00-38 50-38	0.00	253.00	esternt	Jen Apr Jul Oct SILVE Nov Dec Jen Mar May	363.0 378.8 380.5 381.3 382.8 382.8 382.8 455.5 466.0 457.4 460.7 463.7	363.3 379.8 381.3 382.0 383.5 Oy oz; cents Previous 455.0 455.5 456.9 460.2 463.2	0 381.3 382.5 0 2/boy oz. High/Low 0 461.0 0 466.0 468.5	0 377.0 380.0 380.0 0 0 455.0 0 460.0 463.0
oments months months months could consider	457.75 461.15 464.65 473.30 8 \$ pm 377.1 388.1 97.00	Co 20-38: 50-38: 0-90.0	0.00 8.90	207.40 311.40 316.10 323.35 2 equal 253.00	ealernt -256.00 51.00	Jen Apr Jul Oct SILVE Nov Dec Jen Mar Mar Jul	363.0 378.8 380.5 381.3 382.8 3 5,000 tr Goose 465.5 456.0 457.4 463.7 468.7	363.0 379.8 381.2 382.0 383.5 Oy 02; Osmis Previous 455.0 455.5 456.9 460.2 466.2	0 380.0 381.3 382.5 0 2/broy oz. High/Low 461.0 466.0 468.5 468.5	0 377.0 380.0 380.0 0 0 455.0 0 463.0 463.0
oments months months months could consider	457.75 461.15 464.65 473.30 8 \$ pm 377.1 388.1 97.00	Co 20-38: 50-38: 0-90.0	0.00	207.40 311.40 316.10 323.35 2 equal 253.00	esternt	Jen Apr Jul Oct SILVE Nov Dec Jen Mar May	363.0 378.8 380.5 381.3 382.8 382.8 382.8 455.5 466.0 457.4 460.7 463.7	363.3 379.8 381.3 382.0 383.5 Oy oz; cents Previous 455.0 455.5 456.9 460.2 463.2	0 380.0 381.3 382.5 0 2Atroy cz. HighyLow 0 461.0 468.0 468.5 472.0	0 377.0 380.0 380.0 0 0 455.0 0 463.0 463.0 463.0 463.0
o months months months months rugerrand depid leaf few Sovereig francisco OP	457.75 461.15 484.65 473.30 8 \$ pn 377.4 388.9 87.00	Co 20-38: 50-38: 0-90.0	0.00 8.90	207.40 311.40 316.10 323.35 2 equal 253.00	ealernt -256.00 51.00	Jan Apri Jot SiLVE Nov Dec Jan Mary Jui Sep Dec Jan	363.0 378.8 380.5 381.5 382.8 382.8 382.8 382.8 382.8 456.5 456.0 457.4 466.7 469.7 469.7 469.7 469.7 469.7 469.7 469.7	363.0 379.8 361.3 382.0 383.5 Oy 02; cents Previous 455.0 455.0 456.2 460.2 469.4 476.2	0 380.0 381.3 382.5 0 2 400.0 461.0 0 466.0 466.0 468.5 472.0 472.0	0 377.0 380.0 380.0 0 455.0 0 455.0 0 463.0 468.0 472.0 472.0
3 months 5 months 6 months 12 months 12 months 14 months 14 months 15 months 16 months 17 months 18 months	457.75 461.15 484.65 473.30 8 S pn 377.1 388.9 n 87.00 TIONS	00-38 50-38 0-90.0	0.00 8.90 00	307.40 311.40 315.10 323.35 2 equal 253.00 58.00-6	raient	Jan Apri Jul Oct SILVE Nov Dec Jen Mar Sep Dec Jen Mar	363.0 378.8 380.8 381.3 381.3 382.8 R 5,000 tr Close 465.5 456.0 465.7 460.7 460.7 460.7 460.7 473.8	363.0 379.8 381.3 382.0 383.5 Oy OZ, ORINS Provious 455.0 455.0 455.0 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2	0 380.0 381.3 382.5 0 2/troy oz. High/Low 0 461.0 0 466.0 468.5 468.5 468.5 478.0 0	0 377.0 380.0 380.0 0 0 455.0 463.0 463.0 478.0 0 478.0
3 months 5 months 6 months 7 m	457.75 461.15 464.65 473.30 8 S pri 377.1 388.1 n 87 00	ce 20-38 50-38 0-90.0	0.00 8.90 10	307.40 311.40 315.10 323.35 2 equal 253.00	######################################	Jan Apri Jul Oct SILVE Nov Dec Jen Mar Sep Dec Jen Mar	363.0 378.8 380.8 381.3 381.3 382.8 R 5,000 tr Close 465.5 456.0 465.7 460.7 460.7 460.7 460.7 475.7 479.8	363.0 379.8 381.3 382.0 383.5 Oy OZ, ORINS Provious 455.0 455.0 455.0 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2	0 380.0 381.3 382.5 0 2 400.0 461.0 0 466.0 466.0 468.5 472.0 472.0	0 977.0 380.0 880.0 0 455.0 463.0 463.0 478.0 0 478.0
3 months 5 months 12 months 12 months 12 months 13 months 14 months 15 months 16 month	457.75 481.15 484.65 473.30 8 5 pm 377.4 388.5 n 87.00 TIONS	07-38 50-38 07-90.0 Jan 35	0.00 8.90 10	307.40 311.40 316.10 323.35 2 equilibrium 253.00 58.00-6	Puss Apr 22	Jan Apri Jul Oct SILVE Nov Dec Jen Mar Sep Dec Jen Mar	363.0 378.8 380.8 381.3 381.3 382.8 R 5,000 tr Close 465.5 456.0 465.7 460.7 460.7 460.7 460.7 475.7 479.8	363.0 379.8 381.3 382.0 383.5 Oy OZ, ORINS Provious 455.0 455.0 455.0 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2 460.2	0 380.0 381.3 382.5 0 2/troy oz. High/Low 0 461.0 0 466.0 468.5 468.5 468.5 478.0 0	0 377.0 380.0 380.0 0 455.0 0 456.0 478.0 478.0 0 478.0
a months a months 2 months 2 months 2 months Couperrand depte leaf New Sovereig FRADED OP Stemblum (St Strike price S 050 075	457.75 481.15 484.65 473.30 3 5 87.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00 77.00	00-38 50-38 0-90.0 Jan 35 22	0.00 8.90 10 208s Apr 60 45	307.40 311.40 315.10 323.35 2 equilibrium 253.00 - 58.00-6	Puss Apr 22 32	Jan Apri Jul Oct SILVE Nov Dec Jen Mar Sep Dec Jen Mar	363.0 378.8 380.5 381.3 382.8 7 5,000 tr Cose 465.5 465.5 465.7 460.7 460.7 460.7 479.8 GRADE C	383.0 379.8 381.3 382.0 382.0 382.0 902.0 omb 485.5 485.5 485.5 486.2 489.4 478.3 0PPER 25,0	0 380.0 381.3 382.5 0 2500 cz. High/Low 0 461.0 466.0 486.5 487.0 0 482.0 0 482.0 1 482.0	0 377.0 380.0 380.0 0 455.0 0 463.0 463.0 463.0 472.0 472.0 472.0 478.0
a months a months 2 months 2 months 2 months Couperrand depte leaf New Sovereig FRADED OP Numbilum (St Strike price \$ 1025 1050 1075	457.75 481.15 484.65 473.30 S pri 377.1 388.1 87.00 TRONS 1.7%() tonne	Co 100-38 50-38 0-90.0 Jan 35 22 13	0.00 8.90 00 20ls Apr 60 45 33	307.40 311.40 315.10 323.35 2 equals 253.00 58.00-6	Puts Apr 22 44 Puts	Jan Apri Jai Oct SILVE Nov Dec Jan Mar May Jui Nov Dec Jan Mar HIGH	363.0 378.5 380.5 380.5 381.3 382.5 382.5 78 5,000 tr Close 465.5 456.0 457.4 460.7 469.9 474.5 479.8 GRADE C Close 773.5 773.5	383.0 379.8 381.3 382.0 382.0 382.0 907.0000 455.5 458.9 460.2 460.2 460.2 460.2 460.2 460.2 478.3 0PPER 25,1 Previous 74.10 74.10	0 380.0 381.3 382.5 0 2500y cz. High/Low 0 461.0 466.0 486.5 472.0 473.0 0 482.0	0 377.0 380.0 380.0 0 455.0 0 455.0 456.0 472.0 478.0 0 478.5
3 months 5 months 6 months 12 months 12 months 12 months 14 months 14 months 15 months 16 months 16 months 16 months 16 months 16 months 16 months 17 months 17 months 18 months	457.75 481.15 484.65 473.30 8 S ph 377.1 388.9 n 87.00 TIONS 3.7%()	Co Jan 35 22 13 Co	0.00 8.90 00 20 45 33 26 33	307.40 311.40 315.10 323.35 2 equal 253.00 58.00-6	Puss Apr 22 32 44 40	Jan Apri Apri Apri Nov Dec Jan Mar High Nov Dec Jan	363.0 378.5 380.5 381.3 381.3 382.8 76.000 tr Coee 465.5 458.0 457.4 460.7 460.7 460.7 460.7 474.5 474.5 479.5 GRADE C	383.0 379.8 381.3 382.5 382.5 Oy oz; Oents Previous 455.0 455.0 455.0 456.9 466.2 466.2 466.2 474.1 476.2 478.3 OPPER 25,1 Previous 74.10 74.10 74.30	0 380.0 381.3 382.5 0 0 0 461.0 0 461.0 0 468.5 468.5 468.5 472.0 0 468.5 472.0 0 468.5 473.0 73.40 73.40	0 377.0 380.0 380.0 0 0 455.0 0 0 455.0 0 456.0 478.0 478.5 55/bs
a months a months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 16 months 16 months 17 months 17 months 18 month	457.75 451.15 484.65 473.30 S pn 377.4 388.9 1.7% 10008	Co 100-38 50-38 0-90.0 Jan 35 22 13	0.00 8.90 00 20ls Apr 60 45 33	307.40 311.40 315.10 323.35 2 equals 253.00 58.00-6	Puts Apr 22 44 Puts	Jan April Ap	363.0 378.8 380.5 381.5 381.5 382.8 8 5,000 tr 465.5 456.0 457.4 460.7 468.7 468.7 468.7 475.7 479.9 474.6 475.7 479.9 474.5 773.95 73.35 73.35	383.0 381.3 382.5 382.5 382.5 Oy 0Z; Osnib Previous 455.0 455.5 455.5 460.2 460.2 460.2 478.1 478.2 478.2 478.1 774.10 74.10 74.10 74.10	0 380.0 381.3 382.5 2009 0Z 4009 0Z 460.0 0 486.0 486.5 472.0 486.5 472.0 486.5 472.0 486.5 73.75 73.75 73.75	0 377.0 380.0 380.0 0 0 480.0 480.0 480.0 478.5 478.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5 178.5
a months a months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 16 months 16 months 17 months 17 months 18 month	457.75 451.15 484.65 473.30 S pn 377.4 388.9 1.7% 10008	Co 07-38 50-38 30-90.0 4 13 13 Co 39 27	0.00 8.90 10 20 20 20 20 20 20 20 20 20 20 20 20 20	307.40 311.40 311.40 223.35 223.35 23.30 58.00-6 381 381 16 28 43	Puss Apr 22 32 44 40 52 52	Jan Apri Apri Apri Nov Dec Jan Mar High Nov Dec Jan	363.0 378.5 380.5 381.3 381.3 382.8 76.000 tr Coee 465.5 458.0 457.4 460.7 460.7 460.7 460.7 474.5 474.5 479.5 GRADE C	383.0 379.8 381.3 382.5 382.5 Oy oz; Oents Previous 455.0 455.0 455.0 456.9 466.2 466.2 466.2 474.1 476.2 478.3 OPPER 25,1 Previous 74.10 74.10 74.30	0 380.0 381.3 382.5 0 0 0 461.0 0 461.0 0 468.5 468.5 468.5 472.0 0 468.5 472.0 0 468.5 473.0 73.40 73.40	0 377.0 380.0 380.0 0 0 455.0 0 0 455.0 0 456.0 478.0 478.5 55/bs
3 months 5 months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 17 months 17 months 18 month	457.75 481.15 484.65 473.30 S pri 377.4 388.1 87.00 THORES 2.7%) tonne	CO CO Jan 35 22 13 CO 39 27 18	0.00 8.90 10 Colls Apr 60 45 33 38 38 75 61 50	907.40 311.40 2315.10 223.35 2 equito 253.00 58.00-6 3an 16 28 43 43	Puts	Jan Apr Apr Apr Oct SILVE Nov Dec Jan Mar HIGH Nov Dec Jan Mar HIGH Nov Apr Apr	363.0 378.8 380.5 380.5 381.5 381.5 381.5 381.5 381.5 381.5 381.5 465.5 465.5 465.7 480.7 480.7 480.7 480.7 480.7 480.7 480.7 480.7 475.6 73.95 73.95 73.95 74.16 74.60	383.0 379.8 381.3 382.0 382.0 382.0 90 oz; cents 455.0 455.5 456.2 460.2 460.2 474.1 476.2 478.3 Previous 74.10 74.10 74.90 74.90 74.90 75.15 75.35	0 380.0 381.3 382.5 0 285.5 0 465.0 0 466.0 0 466.0 0 466.0 0 466.0 0 466.0 0 466.0 0 73.40 73.75 73.75 73.75 73.25 74.96	0 377.0 380.0 380.0 0 0 450.0 450.0 450.0 472.0 478.0 478.5 478.5 478.5 73.30 73.70 73.70 73.85 74.40
a months a months 2 months 2 months 2 months 4 months 4 months 4 months 4 months 4 months 4 months 6 m	457.75 461.15 464.55 473.30 8 pm 377.13 388.1 10088 10009 10009	00-38 50-38 50-90.0 Jan 35 22 13 0 39 27 18	0.00 8.90 10 Colls Apr 60 45 33 33 38 50	307.40 311.40 315.10 323.35 £ equit 253.00 Jan 16 28 43 29 29 43	Puss Apr 22 32 44 Puss 40 52 65 Mar	Jan Apr Jul Oct SILVE Nov Dec Jan Mar HiGM Nov Dec Jan Mar HiGM Nov Dec Jan Mar High	363.0 378.8 380.5 380.5 381.3 382.8 382.8 382.8 465.5 458.0 457.4 466.7 466.7 466.7 479.8 GRADE C 73.35 73.35 73.35 74.40 74.40 74.80	383.0 3879.8 381.3 382.5 382.5 382.5 382.5 382.5 485.0 485.0 485.0 486.2 486.2 486.2 486.2 486.2 486.2 474.1 476.2 478.3 74.10 74.10 74.90 75.15 74.90 75.15 76.55	0 380.0 381.3 382.5 0 0 0 461.0 0 461.0 0 468.5 468.5 472.0 0 468.5 472.0 73.40 73.40 73.40 73.40 73.40 73.40 73.40 73.40 73.10	0 377.0 380.0 380.0 0 0 0 450.0 0 0 0 450.0 0 463.0 478.0 0 478.5 65/8bs
a months a months 2 months 2 months 2 months 2 months 4 months 4 months 6 m	457.75 461.15 464.55 473.30 3 5 pm 377.1 388.1 100NS 170NS	Jan 3522 13 C 39 27 18 Lan 115	0.00 8.90 00 20lls Apr 45 33 28ls 75 61 50	307.40 311.40 313.51 323.35 253.00 323.35 58.00-4 323 42 43 43 43 43	Puts Apr 22 32 44 40 52 66	Jan Apr Apr Jul Oct SILVE Nov Dec Jen Mar May Apr Apr Jul	363.0 378.8 380.5 380.5 381.5 381.5 381.5 381.5 381.5 381.5 381.5 465.5 465.5 465.7 480.7 480.7 480.7 480.7 480.7 480.7 480.7 480.7 475.6 73.95 73.95 73.95 74.16 74.60	383.0 379.8 381.3 382.0 382.0 382.0 90 oz; cents 455.0 455.5 456.2 460.2 460.2 474.1 476.2 478.3 Previous 74.10 74.10 74.90 74.90 74.90 75.15 75.35	0 380.0 381.3 382.5 0 2 400.0 0 486.5 472.0 473.0 0 482.5 472.0 473.75 74.95 74.95 74.95 74.95 75.50	0 377.0 380.0 380.0 0 0 455.0 0 456.0 0 478.5 55/ba 73.00 73.70 74.20 74.80 74.40 74.50 74.50 74.50 74.50 74.50 74.50
a months a months 12 months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 16 months 16 months 16 months 17 months 17 months 18 month	457.75 461.15 464.55 473.30 3 5 pm 377.4 386.1 377.4 386.2 7000 1000 1000 1000 1000 1000 1000 100	Jan 35 C 39 27 18 Lan 115 77	0.00 8.90 00 Apr 60 45 33 38 81 50 Mar 119 90	307.40 311.40 313.51 323.35 £ equit 253.00 58.00-6 16 26 43 27 42 57 Jan 9	Puss Apr 22 32 44 Puss 40 52 66 Mar 43 84	Jan Apr Apr Apr Nov Dec Jan Mar HIGM Nov Dec Jan Mar Apr Apr Apr Jan Aug Aug	363.0 378.8 380.5 380.5 381.5 381.5 381.5 381.5 381.5 381.5 381.5 465.5 465.5 465.7 480.7 480.7 480.7 480.7 480.7 480.7 470.8 470.7 470.8 470.7 470.8 470.7 470.8 470.7 470.8	383.0 3879.8 381.3 382.5	0 380.0 381.3 382.5 0 285.5 0 460.0 0 466.0 0 466.5 472.0 468.5 472.0 482.0 000 bes, cen Hightow 73.40 73.75 73.25 74.95 75.50 75.50 75.50	0 377.0 380.0 380.0 0 380.0 0 0 450.0 0 450.0 450.0 472.0 478.5 15/hbs
a months a months 12 months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 16 months 16 months 16 months 16 months 17 months 17 months 18 month	457.75 461.15 464.55 473.30 3 5 pm 377.4 386.1 387.0 10000 1	Co 007-38 50-38 50-38 0-90.0 23 13 15 17 115 177 556	0.00 8.90 00 Apr 60 45 33 38 75 61 50 Mar 119 90 66	307.40 311.40 323.35 2 equili 253.00 360 360 360 360 360 360 360 360 360 3	Puss Apr 22 32 44 40 52 66 Mar 43 94 95 90	Jan Apr Apr Apr Nov Dec Jan Mar HIGM Nov Dec Jan Mar Apr Apr Apr Jan Aug Aug	363.0 378.8 380.5 380.5 381.5 382.8 8 5,000 tr 465.5 456.0 457.4 480.7 480.7 480.7 480.7 480.7 479.6 4	383.0 3879.8 381.3 382.5 382.5 382.5 382.5 382.5 382.5 382.5 382.5 483.2	0 380.0 381.3 382.5 0 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	0 377.0 380.0 380.0 0 380.0 0 0 450.0 0 450.0 450.0 472.0 478.5 15/hbs
a months a months 12 months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 16 months 16 months 16 months 16 months 17 months 17 months 18 month	457.75 461.15 464.55 473.30 3 5 pm 377.4 386.1 387.0 10000 1	Jan 35 C 39 27 18 Lan 115 77	0.00 8.90 00 Apr 60 45 33 38 81 50 Mar 119 90	307.40 311.40 313.51 323.35 £ equit 253.00 58.00-6 16 26 43 27 42 57 Jan 9	Puss Apr 22 32 44 40 52 66 Mar 43 94 90 Mar 1	Jan Apr Apr Apr Nov Dec Jan Mar HIGM Nov Dec Jan Mar Apr Apr Apr Jan Aug Aug	363.0 378.8 380.5 380.5 381.5 381.5 381.5 381.5 381.5 381.5 381.5 381.5 465.5 465.7 489.7 489.7 489.7 489.7 489.7 479.6 479.6 479.6 479.8	383.0 3879.8 381.3 382.5 382.5 382.5 382.5 382.5 382.5 382.5 382.5 483.2	0 380.0 381.3 382.5 0 285.5 0 460.0 0 466.0 0 466.5 472.0 468.5 472.0 482.0 000 bes, cen Hightow 73.40 73.75 73.25 74.95 75.50 75.50 75.50	0 377.0 380.0 380.0 0 880.0 0 0 450.0 0 450.0 450.0 472.0 478.5 15/hbs
a months a months a months 12 months	457.75 461.13 464.55 473.30 S pm 377./3 388.[3 87.00 m 97.00 m	Jan 232 27 18 Jan 255 Dec 22	0.00 8.90 10 60 45 33 35 81 61 60 Mar 119 68 Mar 150	907.40 911.40 911.40 923.35 253.00 253.00 3en 16 28 43 29 43 29 42 57 3en 9 21 48	Puss Apr 22 32 44 Puss 40 52 66 Mar 43 94 94 91 12	Jan Apr Apr Nov Dec Jan Mar May Jul Nov Dec Jan Mar HKGM Nov Apr	363.0 378.5 380.5 380.5 381.3 382.8 382.8 75.000 tr Cone 465.5 458.0 457.4 468.7 468.7 468.7 479.8 GRADE C 73.35 73.36 73.36 73.46 74.60 74.60 74.80 74.80 74.80 74.80 75.06 E Oil. (Jul)	383.0 379.8 381.3 382.5 382.5 382.5 382.5 Previous 455.0 455.0 455.0 456.2 469.2 469.2 469.2 474.1 476.2 478.3 Previous 74.10 74.10 74.90 75.15 74.90 75.15 76.95	0 380.0 381.3 382.5 0 381.3 382.5 0 0 461.0 0 4661.5 468.5 472.0 0 468.5 472.0 0 73.75 73.25 74.20 573.75 74.20 575.80 \$ gails \$\$he \$\$he \$\$he \$\$he \$\$he \$\$he \$\$he \$\$h	0 377.0 380.0 380.0 0 0 0 450.0 0 0 0 463.0 468.0 478.5 478.5 478.5 478.5 73.00 73.70 74.20 75.5
a months a months a months a months 12 months	457.75 461.15 464.55 473.30 5 pm 377.1 388.1 100NS 171ONS	00-38 50-38 50-38 0-90 0 35 22 13 0 0 39 115 55 50 0 92	0.000 8.90 90 Apr 60 45 33 75 61 50 Mar 119 90 66 Mar 150 150	307.40 311.40 313.51 323.35 253.00 323.35 253.00 330 340 29 42 42 57 340 49 49 49 49 49 49 49	Puts Apr 22 32 44 40 52 66 Mar 43 84 90 Mer 12	Jan Apri Oct SILVE SILVE Nov Dec Jen Mar May Jun Aug CRUD CRUD	363.0 378.8 380.5 380.5 381.5 382.8 8 5,000 tr 465.5 456.0 457.4 480.7 480.7 475.7 479.5 GRADE C Come 73.35 73.85 73.85 74.16 74.80 74.80 74.80 75.00 8 C 75.00 8 C 8 C 8 C 8 C 8 C 8 C 8	383.0 381.3 382.0 383.5 382.5 383.5 383.5 383.5 383.5 383.5 463.2 463.2 463.2 463.2 463.2 463.2 473.1 476.2 477.3 0PPER 25,1 74.90 7	0 380.0 381.3 382.5 0 9 482.5 0 9 486.0 0 486.5 472.0 472.0 0 482.5 472.0 0 482.5 472.0 0 482.5 172.75 75.50	0 377.0 380.0 980.0 0 0 455.0 0 456.0 0 478.5 478.5 73.00 73.70 74.20 74.80 74.50 75.50 75.50 76
a months a months a months a months 12 months	457.75 461.15 464.55 473.30 5 pm 377.1 388.1 100NS 171ONS	Jan 232 27 18 Jan 255 Dec 22	0.00 8.90 10 60 45 33 35 81 61 60 Mar 119 68 Mar 150	907.40 911.40 911.40 923.35 253.00 253.00 3en 16 28 43 29 43 29 42 57 3en 9 21 48	Puss Apr 22 32 44 Puss 40 52 66 Mar 43 94 94 91 12	Jan Apr Apr Nov Dec Jan Mar May Jul Nov Dec Jan Mar HKGM Nov Apr	363.0 378.8 380.5 380.5 381.3 381.3 381.3 382.8 76.000 tr Close 465.5 456.0 457.4 460.7 469.9 474.7 479.8 GRADE C Cone 73.35 73.56 73.56 73.60 74.80 74.80 75.30 8 CIL (Lighert 15.70 16.74 17.76 18.74 17.76 18.74 17.76 18.74 17.76 18.74 17.76	383.0 379.8 381.3 382.5 382.5 382.5 382.5 382.5 382.5 382.5 382.5 382.5 460.2 483.2 483.4 474.1 476.2 478.3 74.10 74.90 74.90 74.90 75.15 76.95 76.95 76.95 76.95 76.95 76.95 76.95 76.95	0 380.0 381.3 382.5 0 285.5 0	0 377.0 380.0 980.0 0 0 450.0 0 450.0 450.0 472.0 478.5 15/kbs
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forch in privatisation race

29

A fraught Period ahead HUNGARIANS go to the polls in six months' time to give their verdict on a unique phetheir verdict on a unique phetheir

nomenon in post-communist Europe – a democraticallyelected coalition government which will have served its full four-year parliamentary term.

Theory is a feet a

ter Gross

In the run-up, the electors of this small, landlocked country of 10m people, who share an impenetrable language and a thousand years of settlement in the Carpathian basin, are pondering on the achievements and costs of a turbulent period

The Soviet army, which reinvaded the country in 1956 to suppress Hungarian aspirations for freedom and democracy, has quietly departed. The) cautious economic reforms begun more than 20 years ago by the late Janos Kadar's "goulash communist" regime have been used as a springboard for the transition to a fully-fledged

market economy. The crucial decision to honour the burdensome foreign debts inherited from the communist years has helped give foreign investors the confidence to inject \$5.5bn of equity capital and continue buying Hungarian government bonds \$4bn worth in 1993 alone.

Above all, the three-party coalition government led by Mr Jozsef Antall: the historian archivist turned politican who led his Hungarian Democratic

stance to democracy.

Hungary was in many ways better prepared than most in the region for a system change. But breathing life into institutions such as parliament and the legal system, and removing the habits of thought control and mind manipulation in other crucial areas such as the media, has been neither easy nor yet complete. The govern-ment's controversial closure of the second channel TV news programme has been widely interpreted as an attempt to stifle criticism in the run up to elections, and as a sop to right wing nationalists whose voice in the state-run media has been increased by personnel changes.
The key institutions manag-

ing privatisation and macroeconomic policy - the State Property Agency (SPA), the National Bank of Hungary and AV RT, the recently formed state asset management corporation, also have their critics. But the dedicated, high quality officials who run them are impressively capable and have gained valuable experience

over the past four years. Hungary has also been fortunate in the quality of its foreign, investors. It has had its carpet-baggers, and would-be









Jozsef Antall, (left) the Hungarian prime minister faces a tough electoral fight against his nationalist rival Istvan Csurka and the socialists led by Gyula Horn. Waiting in the wings is Viktor Orban (right), leader of the Young Democrats (Fidesz)

fallen foul of the home-grown

Mafia. But Hungary has also welcomed a host of top rank multinational corporations, including Alcoa, Electrolux, General Electric, General Motors, Ford, Suzuki and Unilever. All are intent on integrating their new Hungarian subsidiaries into their existing global operations and bringing invaluable know-how, technology and managerial expertise in their wake.

Expatriates of Hungarian ori-gin have also played a valuable role in trying to re-tie links with a severed past. An outstanding example is the way Mr George Lang, the famous American-Hungarian restaurateur, and his partner Mr Ronald Lauder, have recreated Gundel's restaurant, the prewar Mecca of Hungarian high-

After a shaky start when Croatia received guns illegally from Hungarian sources, careful diplomacy has kept Hungary free from entanglement in bitter ethnic wars across its southern border in former Yneoslavia

Budapest has also sought to defuse potential conflicts over dams, frontiers and ethnic



with the birth of independent Slovakia and outbreaks of intolerant nationalism in Romania, another neighbour with a sizeable ethnic Hungarian minority.

Peace, liberty and moderate prosperity are respectable achievements. But how much thanks the ruling parties - the MDF, the Christan Democrats and the now bitterly divided

Some of the problems are home-grown. The disappointing pace of privatisation has left the bulk of big enterprises still in state hands. The losses accumulated by the state sector, and bad loans granted to the private sector by inexperienced bankers, have brought many state banks to the point of technical insolvency. Large financial infusions are needed to bring their capital adequacy ratios up to the minimum internationally required levels.

At the same time unemployment, which has stabilised at around 13 per cent of the workforce, has raised demands on a state budget already burdened by heavy pension and other commitments. The net result is a budget deficit which will require politically painful pruning if the 1994 public-sector shortfall is to be kept under the 5.5 per cent of GDP ceiling required by the standby agreement signed with the International Monetary Fund in Sep-

Government spending and a 25 per cent fall in the value of exports has already led to tensions in money markets and a shock 5 per cent rise in central

weeks. Economists fear that the Middle East. Tourism the private sector, including the parallel "black economy". risks being crowded out of the market for working and investment capital. Starving the private sector would inevitably depress private sector invest-

ment and future job creation. Not all the economic and political woes are policylinked. The sharp decline in exports is partly a sign of an over-valued currency, and has been rectified by recent devaluations of the forint.

But it also reflects the recession in western markets, especially the all-important German market, and the impact of another year of severe drought on farm output. Equally important, however, is the widespread confusion over land ownership caused by the break-up of the old state co-operatives.

Regional instabilty is another negative factor. The UN-imposed trade embargo on former Yugoslavia has cost Hungary an estimated \$1bn. The embargo has not only decimated a once flourishing bilateral trade but hindered passage along the Danube and cut income from transit traffic to receipts have also lost their

buoyancy. Without the hoped-for boost from economic recovery the governing coalition faces a tough fight against the Socialist Party, led by Mr Gyula Horn, whose prospects for emerging as the largest single party have soared after the recent electoral come-back of the former communists in Poland.

Even so, it is unlikely that the socialists, with few allies in sight, would be able to form

the next government.

More probable is some form of coalition between the MDF and Fidesz, the Young Democrat party led by Mr Viktor Orban, after elections which are likely to see a substantial shift in allegiances and voting patterns compared with 1990.

Such an outcome, leaving both the right wing nationalists and socialists in opposition alongside the probably reduced liberal Free Democrats, would confirm Hungary's attachment to moderate, democratic government and its commitment to market reforms. But six months is a long time in politics, and they promise to be

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receive from the electorate

The coalition's original game

plan called for an economic

upswing to begin in 1993, lead-

ing to re-election on a rising

and palpable tide of economic well-being. Instead, the econ-omy is still struggling, like the

heavily laden barges which

push upstream against the cur-

rent of the River Danube as it

next May remains to be seen.

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Manufacturing output, excluding the troubled food sector, is 7 per cent higher than a year earlier. But this growth sits uncomfortably with a 20 per cent dip in export volume and a fast deteriorating current

Production and exports are now coming on stream from the General Motors, Suzuki Motor Corporation and Ford Motor Company car assembly and components plants announced in 1990 and 1991.

But manufacturing has not been able to lift the economy as a whole. Drought and confusion over property rights have afflicted agriculture, the pride of Hungary's former communist regime. Cereal production has fallen 20 per cent from last year's already depressed level.

The recession is likely to continue. The finance ministry projects a decline in gross domestic product of 1-3 per cent for 1993 and stagnation next year, leaving output 20 per cent below the 1989 level. The real situation is someNicholas Denton assesses the mood as Hungarians wait for a turnaround in the economy

Poised on the verge of a recovery

what brighter, the statisticians cannot reach a burgeoning black economy, nor fully account for the quantum leap in the quality of goods produced and bought.

"Something is missing," says Mr Gyorgy Suranyi, managing director of Central European International Bank. "The situation is not good, but it is much better than is indicated in the

One rule of thumb is to add 2 per cent a year to the GDP figures to take account of unrecorded activity. Other indicators also point to a recovery. Employment appears to have turned the corner. The jobless rate, after rising inexorably from the start of the decade, peaked in February at 13.6 per cent and has settled at about 13 per cent.

But the source of the industrial recovery remains more than a little mysterious. Stockbuilding appears to be absorbing some production after companies slashed inventories

from the artificially high communist levels.

More important, statisticians may be missing a rebound in umption. Some companies report surprisingly resilient consumer demand. Electrolux, owner of Hungary's Lehel refrigerator maker, feels that purchases began to revive

around the middle of last year. Mr Werner Riecke, head of the monetary policy depart-ment of the National Bank of Hungary (NBH), confirms "we now have the feeling that consumption and domestic use are greater than expected".

i financial markets, low deposit rates in the first half of the year induced households to shift to spending from saving. The savings ratio has fallen to about 7 per cent this year, down from 15.8 per cent in 1991 and 13.2 per cent in 1992.

But a consumer-led recovery may not be sustainable. The economy is already coming up against balance of payments

many, Hungary's largest export market, and in the rest of continental Europe, while imports are about 10 per cent

Food exports have also fallen precipitately, running 38 per cent lower than last year; western European protectionism has not helped.

Hungarian officials also confess that some exporters may have been producing at a loss and dumping in the expectation of a bail-out by the state. Last year's spate of bankruptcies put paid to that hope and forced companies to reconsider unprofitable exports.

Budapest's exchange rate policy has also left the forint overvalued and inhibited exports, according to the latest report on Hungary by the Organisation for Economic Co-operation and Development. Hungary pursued a strategy of real appreciation of the national currency until last year. But NBH has made five adjustments in 1993, cutting the forint by 13.4 per cent.

The central bank, which managed to borrow a record tional bond issues, now reckons on a current account defi-cit of about \$2.5bn for the year, compared with a surplus of \$324m in 1992.

But Hungary's gross foreign debt, the highest per capita in eastern Europe, is now growing again and stood at a record \$23.8bn in May, compared with \$21.8bn at the start of the year. The NBH fears that funds will be more difficult to raise in 1994, an election year.

Twinned to Hungary's grow ing current account shortfall is a hefty public-sector deficit. Most of the deterioration in the government accounts is a straightforward concomitant of recession. Mr Almos Kovacs, deputy state secretary at the finance ministry, says public

constraints. Exports are down finances have performed no mainly due to recession in Ger- worse than those of western countries afflicted by recessions milder than Hungary's. Hungary's public-sector deficit deepened from 1.1 per cent

of GDP in 1990 to a forecast 7 per cent this year. In the same period, Finland's deficit swelled by 14 per cent of GDP and Sweden's by 18 per cent of

The state is also gathering in

Head of state

Currency ...

the quasi-fiscal deficits which have accumulated at stateowned companies and banks. Bankruptcies and defaults by borrowers have wiped out the capital of the largest commercial hanks and the burden of recapitalisation has fallen on

The latest agreement with the IMF, concluded in September, calls for Hungary to rein

difficult to implement in the run-up to elections. The government's borrowing requirement is putting strong upward pressure on interest rates and threatening to "crowd-out" private borrowing. Treasury bill yields, which fell the state budget. as low as 13 per cent earlier this year, have shot back up to in the public sector deficit to Faced with twin deficits in the current account and the **KEY FACTS**

.Arpad Goncz

.Hungarian forint (Ft)

budget, the central bank has tightened monetary policy. The NBH raised its key overnight open-market rates from 17 to 22 per cent between July and September. "The move is absolutely justified," says Mr Suranyi. "But it's about a year too

5.5 per cent of GDP in 1994.

This will require spending cuts

Mr Peter Bod, NBH chairman, says that the central bank will wait and see before

acting again.
But monetary tightening

may be as difficult to sustain politically as the current account is becoming economically unmanageable. The NBH formally independent since the end of 1991, has come for the first time into open conflict with the finance ministry.

We are now saying that we cannot refinance our foreign debt with such bad current account numbers," says Mr Riccke. But they Ithe finance ministry i say they cannot finance the budget deficit through domestic savings."

The danger now is that interest rate rises may smull out any recovery. Meanwhile, Hungary's politicians are learning the dynam-

ics of political and economic cycles the hard way. There are some people within the government who would definitely like to stay the course," says one close western observer. The others think: to hell with it, we've got an election to fight. The temp-

tation is there to let go." The Federation of Young Democrats, a liberal party with an acute political sense, last month put aside sconomic orthodoxy and launched a programme for "modernisation and growth".

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CROSSWORD PUZZLE

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... 1991 \$1=74.74Ft; 1992 \$1=78.99Ft Total GDP (\$bn) -11.9 Real GDP.... Private consumption -5.8 -11.6 -3.0 -15.3 -2.5 -7.5 -4.5 Public consumption GFCF. Stock building. 1.5 -7.5 23.0 24.0 Emp' -30.9 -38.2 -47.9 Exports.... -8.8 35.0 27.5 Output -42.2 -60.0 -39.7 -16.6 Imports Gross wages..... Total % change 1968-92 Total industry... Electrical energy.. 1991 58.7 56.0 -2.7 4.0 Govt finances as % GDP. 60.5 52.4 Expenditure... Reserves minus gold (\$bn).. Total external debt (\$bn). Unemployment rate (%). 270 9,254 9,066 Current account balance (\$m).. 318 10,027 Exports (\$m). Imports (\$m) 10,083 Trade balance (Sm). 27.8 27.8 10.7 9.5 Main trading partners (%) 2. 23.6 14.0 Germany.. Austria Italy.

Profile: GRAPHISOFT

Keyed up for designs

DON SERRAT, a young but normally hard-headed US investment banker is enthusiastic about Graphisoft, a little Hungarian software company for which Creditanstalt Securities is trying to raise equity

underpaid mathematician at Hungary's Institute of Geophysics to head of a worldbeating producer of architec-

tural design software. In 1981 he took advantage of Hungary's early liberalisation of private business to set up Graphisoft and began writing programmes three-dimensional piping

design. "I discovered that I liked business," says Mr Bojar. "No-one had ever indicated that business was fun."

Funding initially came from his wife, a doctor, who subsidised him and his partner with \$100 each a month.

Graphisoft's big break came at a trade show in Munich.

Apple Computer of the US liked Graphisoft's 3-D design programme, gave the Hungarians \$30,000 and some computers, and pushed the company towards the architectural mar-

The offspring was ArchiCAD, a user-friendly and powerful tool for architects and builders using Apple Macintosh computers. The programme has won the custom of companies from Disney to Renault. Archi-CAD has expanded to leadership of the segment with a worldwide market share of

about 25 per cent. That makes Graphisoft a big fish, albeit in a small pool. Graphisoft's software sales may have grown nearly five times over the past five years but in 1992 they were still only \$6.2m. Still, that is just the start.

Graphisoft is poised to diver-sify from the Apple platform, launch ArchiCAD for Windows and enter the vastly larger market of IBM-compatible machines. The company expects revenues from software sales to grow five times again within three years and that could be a cautious fore-

"It's like pressing the hyper-space button on a spaceship," says David Marlatt, general manager for Graphisoft in the US, of the entry into the wider PC software market. "It's a sure winner, as sure as software can be sure."

Graphisoft has triumphed over adversity. The west's Cocom restrictions prohibited the supply of sophisticated hardware to communist countries. Lack of funds was equally inhibiting.

That may have been a blessing in disguise. Eastern European developers had to write software for small computers which could slip through the Cocom fence and which they could afford then PCs conquered the computing world and Graphisoft followed in their wake.

The company's motto is apt: Gabor Bojar, Graphisoft's turn obstacles into opportuniworld dominated by the US for a European software developer to make it. let alone an eastern European one.

Yet Mr Bojar's origin has given an edge to his ambition: "We wanted to prove that from eastern Europe we could beat the Americans." Graphisoft's origin also gives it an edge on costs: "I say to programmers that I can pay you more than half as much as in the west; I just expect you to work twice

The company expects revenues from software sales to grow five times again within three years

as hard," says Mr Bojar. Mr Bojar and his colleagues, while technical virtuosos, had no experience of running a business or marketing a prod-uct. But that has an upside too. Graphisoft's executives are unfazed by the rapid pace of change in the computer indus-"New is nothing new for them," says Mr Marlatt.

Graphisoft executives constantly question why things have to be done in the timehonoured way. Western colleagues admit irritation but say the Graphisoft approach can inspire creative solutions.

Ignorance can also underpin a naive confidence. David Marlatt says of Graphisoft's entry into the US market: "They didn't know they couldn't do it." So they went ahead and did it anyway.

Talent and ambition are common enough qualities in something else which makes it special: good, old-fashioned capitalist virtues. The company has done one thing, but done it well. "We have a product: we develop what we sell says Imre Pakozdi, chief operating officer of Graphisoft. "We avoided the temptation to have a big Mercedes first, revenues

afterwards." Mr Bojar finally bought a Mercedes this spring, after more than a decade in business. The company has no debt beyond a small bank overdraft. The company's manager-owners have skipped dividends and reinvested all profits. Graphisoft's headquarters building is an interior-designed, but mod-est, villa in a Budapest suburb. "Everything they've built for

themselves and they haven't been greedy along the way," says an admiring Don Serrat. But, depressingly for Hungary, Graphisoft has inspired few imitators. Craftsmanship and thrift are rare qualities among Hungary's flashy new entrepreneurs, let alone stodgy state enterprise managers. Leave Graphisoft's silicon villa and you return to a different world. Don Serrat says: "You walk out the door and - boom! - back in Hungary."

Nicholas Denton

Prize contributions to science

HUNGARIANS draw on an llustrious tradition in computers. A Hungarian-American, John von computer with his work on Hungarians have won more Nobel prizes for scientific discovery than any other nation.

Even now, Hungarian schoolchildran regularly score better in comparative tests than their western European counterparts. Hungary's inhabitants may only number 10m but they like to think of their country as a "maths

SUPERPOWER". It appeared until the start of the 1990s as it computer ventures would lead Hungary's trek to capitalism. Companies such as Novotrade, Kontrax, Controll and Microsystem grew explosively to dominate the top ranks of the Hungarian private

But Hungarian technical genius alone has proved nsufficient, Private compute wobbled at least, like ninepin

survive. Kontrax has restructured its operations and rescheduled its debts to stave off dissolution Controll was less tucky: the company is in liquidation. And Peter Vadasz, chairman of Microsystem, has left the company he founded under a cloud of losses and liquidity

Hungary's Infant market has offered many opportunities for quick profit. But the companies that have given in to temptation have risked becoming jacks of all trades and masters of none. The Kontrax group, at its most diffuse, owned busines computer distribution, office equipment distribution. ecommunications development, property, newspapers and finance.

So Graphisoft's success is an exception rather than the rule in Hungary's computer sector. And even Graphisoft made an unprofitable detour into sales of Apple computers before seiling its distribution subsidiary last month to refocus on software

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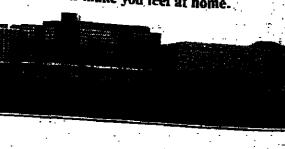
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POLITICS

Tension rises as poll nears

tion, a characteristic mirrored in the ornate, gilded parliament on the banks of the Danube and the dramatic statues of moustachioed heroes which dot Budapest's magnificent squares and avenue

With elections due by May next year the atmosphere is lectric as the former communists prepare for a comeback à la Polonnaise, the nationalist right plays on old phobias about Jews and foreigners and the ruling Hungarian Democratic Forum (MDF) seeks desperately to consolidate its failing grip on the centre by strengthening its hold on the mass media, especially the

Behind all the nervous tension lies an economy which is stubbornly refusing to deliver sustainable economic growth after a four-year, 20 per cent decline in GDP which masks substantial, but not sufficient, structural reform.

Even the ruling coalition's success in attracting more than \$5.5bn in foreign equity investment, and a steady flow of new foreign debt issues, has turned into a double-edged

Behind all the nervous tension lies an economy which is stubbornly refusing to deliver

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& HENGARY

sustainable economic growth

weapon. The nationalist right, I led by Mr Istvan Csurka, thunders against the sale of Hungary's family silver and the overening influence of foreigners and "cosmopolitans".

It is sometimes hard to remember amid the cacophony of discordant sounds that Hungary managed the most seam-less transition from a reformcommunist regime to a multi-party system in 1989 or that Mr Jozsef Antall, the prime minister, has headed the most stable and long-lived government in post-communist

But government is a thankless task in this part of the world and Mr Antall has seen his support dwindle, his party split and his coelition partnerslapse into internal squabbling over the past 12 months.

Questions also remain over the physical health of the prime minister who has just returned from Germany after receiving treatment for non-Hodgkins lymphoma, a debilitating illness which has sapped his strength for years. In his absence the reins of power

Main political parties									
Party	Hungarian acronym	Seats won in June 90	Latest opinion poll	Leader	Тур				
Hungarian Democratic Forum	MOF	165	8%	Jozsef Antali	Conservative				
Christian Democrat and People's Party	KDNP	21	8%	Laszlo Sunan	Conservative				
Independent Smallholders Party	FKGP	44	7%	Jozsef Torgyan	Populist, rura				
Alliance of Free Democrats	SZDSZ	92	10%	Gabor Kuncze	LLibera				
Federation of Young Democrats	FIDESZ	21	30%	Viktor Orban	Neo-libera				
Hungarian Socialist Party	MSZP	33	25%	Gvula Horn	Socialisi				
Hungarian Justice and Life Party	MLEP	•-	40.0	Isivan Csurka	Nationalis				
Workers Party	MSZMP		3%	Gyula Thurmer	Communist				
					Source: FT statistics				

were held by his heir apparent, Mr Peter Boross, the increasingly powerful minister of the

A rising economic tide would have lifted the fortunes of the ruling parties. But the economy, failed to oblige. Instead, Mr Antall has had to face down a rightwing nationalist challenge led by Mr Csurka, a populist writer who articulates the fears of many Hungarians that their distinctive language and culture are threatened by closer integration into European structures.

After mounting a personal attack on Mr Antall's leadership, Mr Csurka broke away from the MDF in June and took a handful of MPs with him into his new Hungarian Justice and Life Party. It remains to be seen whether this new party gains the 5 per entry into the next parliament.

It probably will. To fend off right-wing attacks Mr Antall has been obliged to shift the MDF towards the right and give moral support to gestures such as the repatriation and re-burial of Admiral Miklos Horthy.

A national hero to some, and a crypto fascist to others, Admiral Horthy took Hungary into the war as an ally of Nazi Germany and re-occupied part of the territories that Hungary was forced to cede at the Treaty of Trianon in 1930.

The real electoral challenge to the centrist coalition which has governed since June 1990 comes, however, from another direction. Buoyed up by the victory of

communist-era parties in the recent Polish elections, the Hungarian Socialist Party, heir to the reformist traditions of the former communist party, is confidently preparing for a comeback. The party won only 33 seats in the 1990 elections by the MDF. But the latest opinion polls show 25per cent support, compared to only 8 per cent for the MDF.

The party, led by Mr Gyula

Horn, the veteran reform communist and former foreign minister, is unashamedly bidding for the votes of the unemployed and those who feel that the shift towards a market democracy has deprived them of security and

Many who once berated the communists for their corrupt abuse of power now profess to see the socialists as the party of clean hands and hold up the last communist government headed by Mr Miklos Nemeth as a model of political correctness and principled

economic reform. Mr Horn and Mr Csurka are competing for the anti-government vote,

Many who once berated the communists for their corrupt abuse of power now profess to see the socialists as the party of clean hands

including the votes of those who believe that four years of painful changes have merely created a new wealthy class of recycled party bosses and nomenklatura managers, who used their connections to convert former state property into their own.

The main weakness of the socialist position is that few, if any, of the other political parties would be prepared to ioin them in a coalition, as the Peasants Party joined the socialists in Poland.

The socialists may well emerge as the largest single party but are most unlikely to win enough votes to govern

Surprises are possible. The elections: zre = hkely to demonstrate considerable electoral volatility. All three ruling parties and the Alliance of Free Democrats (SZDSZ), the main opposition party in the expected to lose votes, leaving the socialists and the Federation of Young Democrats (FIDESZ) as the main gainers. Fidesz, led by the char-

ismatic young Viktor Orban. has consistently topped the opinion polls for thre but has equally consistently failed to capitalise on this favourable sentiment at

by-elections. Its main asset, an absence of links with the old regime guaranteed by the youth of its protagonists, has been sullied in recent months by its involvement in a shady real estate deal.

This involved the sale of its state-provided property at a substantial profit and partial re-investment of the proceeds in a luxury car hire company. Mr Orban, intelligent and articulate, looks to many like a

Hungarian version of Spain's Felipe Gonzalez who brought Spain into the modern world by leapfrogging the generation warped by the Franco dictatorship as Hungary has been warped by communism. He has just emerged from a bruising internal conflict over the soul and direction of the party with victory over his would-be rival, Mr Gabor

The latter, defeated in his bid for the presidency of the party's national committee. argued unsuccessfully that Fidesz was too linked to Hungary's rising entrepreneurs and risked gaining a reputation for arrogance and insensitivity towards the hopes and fears of the majority of voters who remain mired in low paying jobs in the poorly performing state companies.

At present Fidesz is in loose alliance with the Free Democrats. But Mr Orban and his close collaborators are clearly aiming for power. displaying a naked ambition which worries some erstwhile

Mr Orban is perceived as shifting his party, which could well emerge as the kinemaker. into position for a possible post-election power-sharing whichever non-socialist party emerges as the most likely core of a future government.

Anthony Robinson

PRIVATISATION

Utilities take up the torch

losing its crown as eastern Europe's fastest privatiser. The government is still well short of its target of privatising half its term in 1994 giving rise to a widespread impression that privatisation has been disap-

pointingly sluggish. In some cases that may be true. Chemicals group TVK could have been sold to East-man Kodak of the US in 1991 for \$400m. It was not, and now the company's prospects are

Takeda of Japan sniffed at pharmaceuticals producer Richter Gedeon in 1990, but the authorities dithered, and the company's Comecon markets, and its value, collapsed.

Speed counts because the uncertainty leading up to a transaction inhibits invest-

"Managers concentrate, not on the future, but just to survive," says Mr Gyorgy Suranyi, managing director of Central European International Bank For this and other reasons Hungary's state auditors estimate that state property loses about a fifth of its worth a

But it is easy to be wise after the event and say Hungary should have sold out to western multinationals when they were flush with cash and naive enthusiasm in 1990.

No one forecast the extent of the recession in western and eastern Europe, nor the depressing effect that would have on investment flows.

Rapid disposals have a downside, too. Acquisitions made in the euphoric days at the start of the decade now look overpriced. Early buyers such as General Electric of the US and Ansaldo of Italy have had to commit much more than they expected.

The shattered illusions of pioneer multinationals make a poor advertisement for Hungary's attractions as a destination for cross-border invest-

But Hungary's reputation for dragging its heels on privatisation is somewhat unfair. Hungary had about 2.000 state enterprises in 1989. By September 1993 the State Property Agency, the privatisation Mass privatisation - Hungarian style

IN JANUARY Hungary starts to concessionary terms to small investors through the Budapest Stock Exchange. First on the block are minority stakes in eight companies including the Pannonia, Soproni and Borsodi breweries, the Pannonia and

Hungaria hotel chains, and plastics producer Pannonplast Every adult Hungarian paying a nominal Ft2000 (\$21) entrance Ft100.000 (\$1030) Interest-free credit facility which can be used to subscribe to the public

offerings. The scheme, devised by Schroders, the UK investment bank, allows repayments to be spread over five years and no security is required beyond the The authorities hope that the

generous terms will attract up to one million of Hungary's 10m population and thus defuse the widespread feeling that

authority had sold 273 companies outright, disposed of majority shareholdings in 144 cases and minorities in 71. Liquidation, which is privatisation of a sort, accounted for a further 370 enterprises.

Private or partially private companies, including new start-ups, now employ about 36 per cent of the workforce, according to an estimate cited by the Organisation for Economic Co-operation and Development.

But Budapest's programmes for building up the private economy have none of the grand sweep of the Czech. Polish or Russian voucher schemes while the growth of new private enterprises does not yet match the vibrancy of Poland's homegrown busi-

makes up in depth what it may lack in breadth. Hungary has put the creation of "real owners" above a nominal shift to the private sector. Nobody can doubt that General Electric, acquirer of light-

Yet Hungarian privatisation

buth maker Tungsram is a private owner. But this is not the case, for example, with the state banks which manage the vouchers issued for the bulk of

privatisation has passed by the eneral public. For the sake of simplicity, the new initiative has been class internationally as a mass privatisation programme or even a voucher scheme along Czech lines. But such labels cause Budapest officials to

The Hungarian scheme is different, they stress. First. relatively few companies, around 40, will be involved, even over the full five-year lifespan of the

Only minority, passive stakes will be on offer. And investors will have to pay for their shares if they want to keep them, albeit on an instalment basis.

not a replacement for existing strategies, but rather another ingredient added to Hungary's already complex privatisati mix.

the Czech Republic's privatised companies.

"What kind of organisations are these?" asks Mr Tamas Szabo, Hungary's minister for privatisation. "Holdings took the place of the state. Where are the real owners?"

The Hungarian cigarette industry, by contrast, is now divided between four western multinationals, the sale of the last of Hungary's seven breweries is pending and the remnant of the sugar industry, still in the hands of the State Property Agency (Spa), is now on offer. Foreign decidedly private, ownership has penetrated deeply into distilling, paper, confectionery. newspapers and cement sectors

Hungary's distinctive policy of selling - rather than distributing - state property has its limits, however.

Privatisation revenues peaked at Ft63.2bn in 1992. In the first three quarters of this the privatisation authorities raised only Ft23.2bn (\$250m) in cash. This is partly because the

State Property Agency, the original privatisation authority set up in 1990, is exhausting its

The Spa has run out of most of the consumer goods producers with their enticing markets, whose sale to western investors powered privatisation between 1990 and 1992. My message to foreign investors is that they must hurry because stocks are running out," says Mr Lajos

Csepi, managing director of the

Some potentially attractive companies remain in the Spa's portfolio however. Confusion over property rights complicated earlier efforts to find investors for the three main hotel chains and the Spa is now trying again. Still lingering with the AV RT state holding company are industrial giants such as TVK, bus maker Ikarus, engineering company Raba, and rubber processor

Taurus. But the newly founded AV RT believes these strategic companies require restructuring before sale. The Hungarian authorities are banking on a World Bank credit to finance debt "work-outs" for companies which could be viable when relieved of their inherited

debts. The focus of attention now is the sale of the national utilities. "Now come the bigger cakes, the great, big projects,' savs Mr Szabo.

International interest in the utilities on offer is intense. But preparation for their sale has taken time because the authorities needed time to

devise the necessary regulations. "You can't sell ecoms like a corner shop, Mr Szabo says. But now the conditions for telecoms, gas and electricity privatisation appear to be

slipping into place as legislation proceeds. The government desperately needs the privatisation revenues that only utility privatisation can bring to finance a budget deficit that it has warned could reach

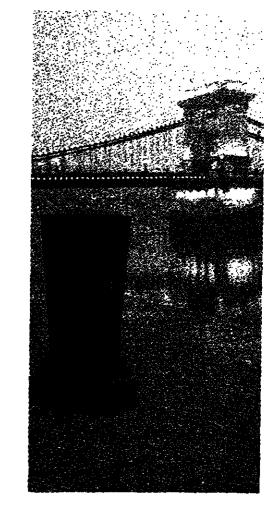
Ft350bn next year. The authorities are due this month to shortlist bidders for 30 per cent of Matav, the national telecoms operator. and the competition is fierce.

Continued on page 4

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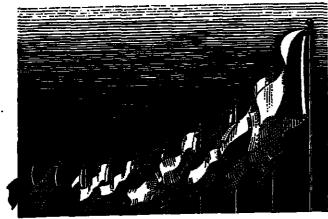
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Source: FT statistics

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the economy opened to the west in the late 1980s. Until now, no list has been published of the largest

The FT has gathered data from

privatisation officials, Credit Suisse First Boston and investors themselves to produce the first comprehensive table of the top 50

foreign investments.

The figures refer to total investment commitments. These include: purchase price, when a foreign investor has acquired a Hungarian shareholding;

investment to date; and medium-term capital expenditure plans, where announced, in many cases the sum is larger than the equity infusion alone.

Top 50 foreign investment commitments

Rank	investor	Nationality	Hungarian partner or venture	Sector	Type	Year	Size of major shareholding	investm in dollars
-	General Electric		Tunosram	Lighting	Privatisation	1990	100%	\$550m
	Volkswagen-Audi	Gennany	Audi Hungaria Motor	Car engines	Greenfield	1993	100%	\$420m
	Volkswager - Addi US West International	US	Westel, Westel 900	Cellular telephony	Joint venture greenfield	1990	49%	\$330m
	CO sucor m@urannica	•••		•		1983	51%	
	General Motors	US-Germany	GM Hungary	Cars and components	Joint venture greenfield	1990	67%	\$300m
	Suzuki, C Itoh, International Finance Corporation	Japan, International	Maqyar Suzuki	Cars	Digit venture greenfield	1991	60%	\$250m
	PTT Netherlands, Telecom Decimark and other Scandinavian operators	Various	Parmon GSM	Mobile telecoms	Joint venture greenfield	1993 1990	67%	\$250m \$220m
	Alianz	Germany	Hungaria Biztostto	Insurance	Joint venture Concession	1993	0170	\$220III
	Transroute International, Banque Nationale de Parls, Caisse des Depots, Strabag	France, Austria	Hungarian Euro-Expressway	Motorway construction and operation	Joint venture	1992	51%	\$165m
	Alcoa	US	Kofem (Hungalu subsidiary)	Aluminium Food and detergents	Privatisation	1992	90%	\$160m
0	Ferruzzi, Unilever	Italy, Netherlands-UK	MAV	FOOD SHO CERRICANS				
	Sinder Core	Austria	Dunapack, Halaspack, Szolnok Paper Mill	Paper	Joint venture	1990	40%	\$160m
	Prinzhom Group Ansaldo, subsidiary of IRI	italy	Ganz-Ansaldo	Electrical engineering	Privatisation	1990	75%	\$130m
	Arsaido, suosidially of ini PeosiCo International	US	FAU	Soft drinks	Privatisation	1993	79%	\$115m
	Pepsico international Guardian Glass	US	Hunguard	Glass	Joint venture	1989	100%	\$110m
	Alitalia. Simest	Italy	Maley Hungarian Aktines	Airline	Privatisation	1992	35%	\$100m \$100m
	Hungarian Investment Company	LIK	Nikex, others	Various	Portiolio investments	1990	Fed.	
	Sanofi	France	Chinoln	Pharmacouticals	Privatisation	1990	51% 100%	\$100m \$100m
	Ford	US	Ford Hungaria	Car components	Greenfield	1991 1991	100%	5100m
	Sara Lee - Douwe Egberts	US	Compack	Coffee	Privatisation Privatisation	1991 1991	100%	\$100m
	Coca-Cola Arnatil	Australia	Budapest Likoripari V, others	Soft drinks			85%	\$95m
	Kempinsio, Dreadner Bank	Germany	Grand Hotel Corvinus Kempinski	Hotel	Greenfield Privatisation	1987 1991	97%	. SS4 m
	Nestie	Switzerland	Nesite Intercsokolade	Confectionery		1991	100%	\$94m
	Siemens	Germany	Telefongyar, others	Telecoms equipment	Privatisation Joint venture	1979	64%	\$8700
	Banca Commerciale Italiana, Bayerische Vereinsbank, The Long-Term Credit Bank of Japan, The Sakura Bank, Societe Generale	italy, Germany, Japan, France	Central European International Bank Group	Banking			0- <i>N</i>	SSOm
	First Hungary Fund	US	Various	Various	Portfolio investments	1990	70%	\$80m
	Stoftwerck	Germany	Budapest Confectionery Company	Confectionery	Privatisation	1992	90%	\$77m
	Marriott, GiroCredit, others	US, Austria	Duna intercontinental	Hotel	Provatisation	1990	53%	570m
	Agrana	Austria	Hongrana	Sugar, starch	Privatisation	1991	97%	\$70m
	Hoechst - Messer Gnesheim	Germany	Oxygen and Dissolved Acetylene Co	Industrial gases	Privatisation	1992	50%	\$70an -
	Voest-Alpine ·	Austria .	Dural Vasmu	Steelmaking	Privatisation			
	Fernuzzi - Beghin-Say	Italy (France)	Matravidek, Szerencs, Szolnok sugar factories	Sugar	Privatisation	1991	40%	\$70m
	Reemisma	Germany	Debreceni Dohanygyar	Cigarettes	Privatisation	1992	85%	\$68m
	Electrolux	Sweden	Lehel	Fridges	Privatisation	1991	100%	\$6501
	Total	France		Petrol stations, propane-butane gas distribution	Greenfield, Privatisation			\$65m
	British-American Tobacco	UK	Pecsi Dohangyar	Cigarettes	Privatisation	1991	51%	\$50m
	Hungarian-American Enterprise Fund	us .		Various	US govi-supported equity investment fund	1990 1993	52%	\$60m \$60m
	Sarp Industries	France	Dorog Refuse Incinerator	Pharmaceutical waste treatment	Privatisation Privatisation	1991	52% 80%	\$60m
, F	Philip Morris	US	Egri Dohangyar	Cigarettes		1991 1991	99%	\$60m
	Amylum	Belgium	Szabadegyhazi Distilling Company	Distilling Poteil	Privatisation Privatisation	1991	51%	S59m
	Iulius Meint	Austra	Csemege-Meinl	Retail	·	1331	J148	
	Aral	France Sweden	East-West Business Centre	Petrol stations Office development	Greenfield Greenfield			\$57£1 \$56@
	ikanska	Swecen Financial Institution	Various	Telecoms, various	di agratio-d	1992		\$55m
	Suropean Bank for Reconstruction and Development		TVK	Carbon black	Joint ventura	1993	60°6	\$5500
	Columbian Chemicals	US	Fotex	Retail	Strare placement	1991	32%	\$54m
	rstitutional investors	US S		Hotels	Privatisation	1993	51%	\$52m
	1000	France	Pantonia Hotels	Retail	Privatisation	1989-92	31.4	\$50m
	engelmann	Germany	Skala-Coop, Kozert		Privatisation	1992	51%	\$500
	rimagaz, Calor Cas (in JV Parngas)	France, UK	Primage: Rt	Bottled propane-butane gas	Greenfield	1992	160%	\$50m
	etra-Pak	S#reden	Tetra-Pak Hungary	Packaging		1991	20%	SSOm
a	tex	CIS	ikarus	Buses	Privatisation	וכפו	2U70	22041

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FOREIGN POLICY

In search of full integration

FULL integration into suitably expanded European economic and defence structures as soon as possible is, and will remain for the foreseeable future, the over-arching aim of Hungarian

foreign policy. It could hardly be otherwise. The dulling effect of distance from the traditional fault lines of European politics is a luxury not available to Hungary. The war in former Yugoslavia has already cost Hungary an estimated \$1bn in lost trade. increased military spending

and aid to refugees. The destruction of Slavonia, including whole cities such as Vukovar and Osijek, by Serb forces in the early months of the Serb-Croat war took place just across Hungary's southern border. The fighting also destroyed the homes and livelihood of many of the 40,000 ethnic Hungarians who have lived for centuries in these lands. Thousands are now refugees in

southern Hungary. Their counterparts, the more than 400,000 ethnic Hungarians living in the Serbian province of Volvodina, have not suffered war and destruction. But the delicate ethnic and sociopolitical balance of the communities in which they live has been dangerously upset by the influx of Serb refugees from the fighting in Croatia and Bosnia, and the grinding poverty which war and the UN trade embargo has brought upon Serbian citizens of all ethnic groups and convictions.

Bitterness at the consequences of a war largely brought about by Slobodan Milosevic, the Serb leader, and his coterie of Serbian army officers, nationalist academics and former commissars, is compounded by the deliberate drafting of ethnic Hungarian youths to fight on the Serbian side of the tribal war against Croats and Muslims.

Rather than fight, many young men have slipped across the border to relatives and friends in Hungary. As in Serbia itself, the exodus includes many of the best those with transferable skills and energy who have no wish to enture the risks of a senseless war or the poverty of a future hate-filled peace.

Fearful of further undermining the fragile viability of ethnic Hungarian communities across the former Yugoslav borders, Budapest has kept its protests low key, while acquiring new Mig-29 fighters from Russia to defend its airspace and quietly building up the strength and equipment of its formerly depleted and badly equipped army.

Above all, Budapest officials plead with the amorphous post-cold war "west", to take a firm stand against ethnic purging and the insidious undermining of regional security which results from the successful use of violent means to change the ethnic balance of ancient communities.

The trouble is that Nato, already taxed by the Greek-Turkish rivalry, and with Britain already embroiled in its own inextricable ethnic conflict in Northern Ireland, is deeply reluctant to extend membership in a way which would bring in new members with unresolved historical dis-

putes in their knapsacks. So Budapest knows it must be circumspect in its defence of the 3.5m ethnic Hungarians who are descendants of those left outside the historical boundaries of greater Hungary when the borders of the Carpathian basin states were redrawn by the victors in the 1920 Trianon Treaty and re-affirmed, with only minimal changes, in 1947.

Hence Budapest's espousal of the principle of minimal borders, maximum porosity and respect for minority rights. These are principles, tirelessly put forward by Mr Geza Jeszenszky, who has become the longest serving foreign minister in post-communist Europe, and his able senior advisers. But he fears that Hungary's contribution to the maintenance of peace and stability in the region is undervalued.

"Hungary's position is not sufficiently recognised. My biggest pre-occupation is to ensure that central Europe is not overlooked by the west," he says. Budapest is concerned for example at what it perceives as EC appeasement over the controversial Gabcikovo dam. At the EC sponsored meeting of central European leaders in London last year Mr Vladimir Meciar, the Slovak leader, promised that 95 per cent of the Danube's water would be allowed to flow through the old channels which define the international horder and would not start the hydro-nower facility in the dam complex. Both promises were broken, virtually without protest from the EC.

Drawing a parallel between inter-war appearement and ther west's impotence over Yago-slavia, Mr Jessenszky recalls escensent and the Winston Churchill's summing up of the 1986 Munich agree-

in spile of the legithmate rea-sons for Hungarian nervousness over the noschie evolution of events in the region, and common to prevent Hungary being tarred with the brush of regional instability, the last four years have also that their positive side.

investment" front Hangary has successfully shifted the built of his trade away from Competen en RC martints and attracted \$5.500 in foreign equity investment. At the same time the dissolution of the Seviet Union means that Humgary no longer has Soviet troops on its territory and no longer has Russia es a direct neighbour. It sets a high priority on building up links an independent Ukraine.

With an eye on longer term prospects for a resumption of frade and other links with Russia, however, Budapest is also acutely aware of the need to maintain good relations with Moscow. Mr Jozsef Antali, the prime minister, openly backed President Boris Yeltsin in his recent fight with parliament. But foreign policy analysts look with concern on the reluc-tance of the Nato allies to press Moscow for a complete pull-out of Soviet troops from the Baltic states or to define clearly the kind of relationship

the west wants with Russia. Above all, Hungarian anslysis want the west to avoid leaving the impression of a vacuum of power anywhere in central Europe, given the historical propensity of Russia to push on open doors when it has the strength and the temptation to do so.

Anthony Robinson

Utilities take up the torch

Continued from page 3

Front runner is a consortium led by Germany's Deutsche Telekom and including Cable & Wireless of the UK and Ameritech, the regional Bell operating company (RBOC). Another strong contender is the partnership of France Telecom and US West, another

Matav has drawn attentionas the first state telecommunications utility to be put on sale in eastern Europe. Advisers believe that the new socialist government's halt to Greece's telecoms privatisation will turn the focus of international industry investors on Hungary. "It is the only near-term game in town," says one.

Schroders, the UK merchant bank, has won the mandate to privatise MVM, the electricity industry holding company. And NM Rothschild another UK-based company, has a similar role for the gas sector. Legislation on both industries has gone before parliament this month. Further down the line is Mol, the national oil company, on whose sale Lazard Freres of France is advising.

There are bound to be hiccups along the way. But, at the present rate of progress, Hun-gary's utilities will be under private control before most of their counterparts in continental Europe, let alone eastern

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THE UK SERIES

FT-A ALL-SHARE

LONDON STOCK EXCHANGE

Shares volatile ahead of retail data

By Terry Byland, UK Stock Market Editor

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THR UK stock market looked increasingly apprehensive ahead of developments pending on both sides of the Atlantic and endured another volatile trading session yesterday. Although still firm at the close, the FT-SE 100 Index had lost much of a mid-afternoon gain of nearly 15 points after Wall Street turned back from a

strong opening. Several leading securities houses, US investment banks in particular, appeared to be shifting to a bearish stance in both stocks and futures, at least for the short term. The Footsie 3,100 mark, which is proving increasingly elusive, was lost, regained and lost again before the index finished at 3,097.5 for a gain on the day of 4.2.

After shedding more than 10 Footsie points in early trade, equities turned sharply better after a larger than expected reduction in German repos rates. This was seen as opening the way for a cut in Bundesbank rates, perhaps even tomorrow, and also for the Budget cut in UK base rates widely expected in the London stock market - some optimists even asked whether a twopoint cut might be possible!

Progress was fairly slow, however, and trading volume volatile as trading statements from several leading names of reach the day's high of 3,108.1. But the UK market turned still cool on economic recovery prospects. Some help came from firmness in government bonds following satisfactory Public Sector Borrowing Requirement numbers for

October. When Wall Street came in

down again just as quickly when the early gain on the Dow melted away and was replaced by a minor fall at the close of UK trading hours.

On the domestic front, attention focused on prospects for last month's UK Retail Price with an opening gain of 12 index and retail sales, both points on the Dow Average, London moved up quickly to regarded as important influ-

TRADING VOLUME IN MAJOR STOCKS

ences on the Budget due on retail sales in October. November 30 from Mr Kenneth Clarke, the UK chancellor of

Most UK analysts expect annualised RPI to remain at 1.8 per cent but any move above this could unsettle market confidence that base rates will be cut by a full point around Budget time. Also, the market hopes that economic recovery will be reflected in higher

US houses were covering themselves in London ahead of tonight's Congress vote on Free Trade Agreement. Nat-West Markets, the UK banking and securities house, warned yesterday of a significant chance that the vote could fail. The immediate economic impact will be negligible but sentiment in financial markets blow " said NatWest At Salomon International. Mr Marcus Grubb suggested that investors seriously worried about the NAFTA vote might buy gold. Seaq volume, at 654.8m jumped by nearly one third from the previous session, and dealers pointed to several bought deals as a sign

of genuine investment activity.

The bright spot was the renewed interest in second line

stocks which lifted the FT-SE

Mid 250 Index by 4.5 to 3,421.

On Monday, retail business in

equities fell to £1.05bn, a fur-

ther indication of the cautious

eek.	
Dealing	Dates
Nov 15	Nov 29
Nov 25	Dec 9
Nov 26	Dec 10
Dec 6	Dec 30
	Nov 15 Nov 25 Nov 26

Accoun	t Dealing	Dates
First Dealings: Nov 1	Nov 15	Nov 29
Option Declaration	Nov 25	Dec 9
ast Dealings: Nov 12	Nov 26	Dec 10
Account Day: Nov 22	Dec 6	Dec 20

Dividend blow at BOC

CURMUDGEONLY dividend forecasts from BOC combined with caution over future prospects prompted a savage market rerating of the shares yesterday. The stock was the hardest hit in the FT-SE 100 Index, dropping 30 to 596p, its lowest point for more than a year, with turnover of 8.5m

nudging record levels. Most chemicals analysts had been expecting a continuation of a policy established some five years ago of dividend growth above inflation. But in line with expectations at 2337.6m, up from £215m, it also said it would pay an unchanged dividend of 23.2p

for the year to September 1994. The company said: "It is very difficult to look forward to that year [1994] with confidence in economic circumstances that are becoming more uncertain rather than more certain."

The board made moves to persuade analysts that the flat dividend projection was merely a shift in policy that had ignored low UK inflation and interest rates, but most saw the move as an underlying indication of gloomy times to

come. Moreover, having seen BOC's share price tumble from above 760p over the past nine months, analysts had hoped the problems were now discounted in the price.

Mr Jeremy Chantry, chemicals analyst with Kleinwort Benson, said that in spite of heavy falls in the share price in the past months, he expected further weakness and was downgrading his positive recommendation on the stock.

NEW HIGHS AND LOWS FOR 1993



"Most people had expected a rise in the dividend - even a token rise would have indicated some optimism for the

Based on the trading volume for a selection of Alpha securi rounded down, † Indicates an FT-9E 100 index considerat.

coming year," he added.

Courtaulds, which is expected to announce interim profits of around £88m today, suffered in BOC's wake, the shares weakening 13 to 476p.

GenAcc setback

The second worst performance among the FT-SE 100 list came from composite insurer General Accident. which retreated 4.8 per cent after the group revealed thirdquarter profits well below the market's best estimates.

Dealers pointed out, however, that some of the more optimistic insurance analysis had shifted their forecasts in the wake of perceived good results from companies such as BAT Industries and Royal Insurance. "There were some very full forecasts in the market and, sadly, they have not come off, that is why the shares have fallen so sharply," said one top insurance analyst.

GenAcc's nine-month profits came out at £206m, compared with market estimates which had ranged from below £200m to as much as £230m.

Mr Trevor May, insurance specialist at BZW, said the market had got carried away with the company's first-half numbers, which he said had been surprisingly good. He upgraded his current year forecast, however, from £260m to £270m and that for next year from £330m to £345m, although emphasising that the group's dividend growth scope remains

"limited". Hoare Govett, GenAcc's house broker, said the market had overreacted on the downside against some rather unrealistic expectations. Hoare is looking for current year profits of £282m and profits of £367m

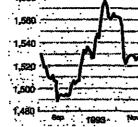
for next year. Some of the big institutions were thought to have switched from GenAcc into Sun Alliance. The latter rose 6 to 370p on turnover of 3.2m, GenAcc settled 33 lower at 658p on much higher than usual turnover of 3m.

Activity in BAA

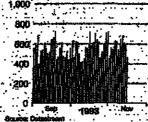
Airport operator BAA endured a rollercoaster ride in the market as investors and analysts digested the company's half-year results. The shares tumbled initially, coming off 16 at one stage, as con-cerns mounted that the group's dividend pay-out implied a poorer full-year total and hinted at lower earnings growth. However, BAA spent the day pointing out that this was not the case and the shares recovered. They were later squeezed up in what dealers described as a technical rally, ending 20 ahead at 921p.

BAA's affirmation of its overseas ambitions, together with its declaration to move to quarterly reporting, fuelled speculation that the company may seek an ADR listing in New York. The group already

FT-A All-Share index



Equity Shares Traded



has a mangement arrangement with one US airport and is known to want to further its US ambitions. Transport analysts left their full-year forecasts largely untouched, the market range remaining around £312m-£323m.

BAT upset

Concern over the US insurance unit of BAT Industries gave investors a chance to take profits following the surge which has taken the share price of the tobacco and insurance conglomerate to an all-time high.

News that the California Insurance Commission will investigate BAT's Farmers Insurance Group after it was criticised by a judge sent the shares down 13 to 503p with 8.7m traded.

However, BAT said yesterday that it was confident that the Farmers subsidiary would pass any review into its procedures. And analysts said problems related to an agency involved with Farmers rather than Farmers itself.

Paints group Kalon saw unusually high turnover as one big institutional shareholder sold its entire stake in the company via Kalon's bro-ker Smith New Court. Some 8.2m shares were bought at 164p and placed with a variety of institutions at 166p a share.

cent of the company. In August, the leading institutional stakeholders were Prolific Asset Management with 7.8 per cent and 3i with 6.3 per cent. Kalon shares fell 41/2 to

The oil majors, BP and Shell, were "spooked" according to oil sector specialists, by the crude oil market's failure to make any progress during the last week or so and also by suggestions that US funds had turned sellers of BP having built up holdings in excess of 27 per cent over the past 18

months or so. Talk of heavy selling of from the US was viewed as surprising by UK analysts although BP shares drifted back 91/2 to 341%p. "BP have come back in line with the US oil majors.

cialist.
Shell, however, were aggressively sold and settled 11 down at 681p, after the oil team at Kleinwort Benson published a straight sell recommendation on Shell and Royal Dutch. Downgrading the stocks from "hold" to "sell" Kleinwort said both "offered a safe earnings and dividend stream but that the ratings appeared stretched

on yield relative grounds."

The sector's exploration and production stocks, however,staged a good rally with Enterprise up 8 to 453p on good turnover of 1.3m and Lasmo 3 harder at 133p, after 135p. Selected property shares con-

tinued their rise begun Mon-day, with Land Securities again showing good gains ahead of today's results. Analysts expect little change to last year's £116m, but a confident statement would help consolidate the shares' recent strength. There was also talk in the market that the group is poised to announce the development of Stag Place in Lon-don's West End, with the Department of Environment tipped to pre-let part of it in a £5m deal. Land's shares

jumped 13 to 728p.
Gambling and hotels group
Ladbroke was again under pressure as joint house broker Smith New Court cut its profit forecast. Other brokers followed suit as worries surfaced that the group's DIY business was suffering in the industry's prolonged price war. Smith was said to have cut from £152m to £140m. The shares fell

FINANCIAL TIMES EQUITY INDICES

		Nov 16	Nov 1	5 Nov 1	2 May	11 A	lov 10	101E	* High	• Low		
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Ord. die	. whele	3.96	3.98	3.96	3.9	36	3.96	4.62	4.52	3.82		
	14 % for	4.63	4.62	4.62	41	22	4.62	8.52	6.38	4.47		
P/E ratio		27.04	27.11	27.13	27.	14	27.12	19.53	28.30	19.40		
A/E mate		25.08			25.	18	25.15	18.05	28.14	18.14		
Gold Mile		246.0					235.3	66.9	249.6	60.0		
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London report and latest Share Index Tel. 0891 123001. Calls charged at 350/minute chesp rate. 48p at all other time

EQUITY FUTURES AND OPTIONS TRADING

GROWING nervousness over the prospects for the London equity market was underscored yesterday by an unusually large and exceptionally bearish deal in traded options,

urites Peter John. Marketmakers said Morgan Stanley, the US investment bank, had bought 8,000 FT-SE puts – options to sell the market at a fixed time and price -

expiring in February at 2,800. Morgan Stanley was unavailable for comment but traders were surprised at the size of the deal, which boosted turn-over in FT-SE 100 options to 27,700 and overall options

turnover to 51,800. The trade was seen as insur-ance against the underlying market falling below the expiry price, and thus repre-

the next three months.

unease came from the level of implied volatility, the measure of uncertainty within the market, which rose by two percentage points to 17 per cent. Among stock options Hanson was the most active performer as one house rolled for-

sented a view that the FT-SE ward exposure from November 100 could slide 300 points over series to the February.

29,185 1647,4 32,928 519,5

The Footsie futures contract A further indicator of for December opened weak but traded up to 3,121 before falling in the afternoon to close at 3,106. At that level it was some 8 points above the cash market and above it's estimated fair value premium of around 5 points. Turnover topped 12,000 contracts.

The shares represent 6.8 per 6 to 157p in turnover of 4m. Forte was said to be talking to analysts about improving occupancy levels in its London hotels. The shares improved 3 to 234p.

Drinks giant Guinness surged as NatWest Securities reaffirmed its positive stance and James Capel was said to have issued a buy note. The shares jumped 13 to 442p. Whitbread added 11 to 499p on speculation that tomorrow's results will exceed market

expectations. VTR shares surged 17 to 99p after the video editing group announced profits up 103 per

MARKET REPORTERS: Christopher Price,

■ Other statistics, Page 25

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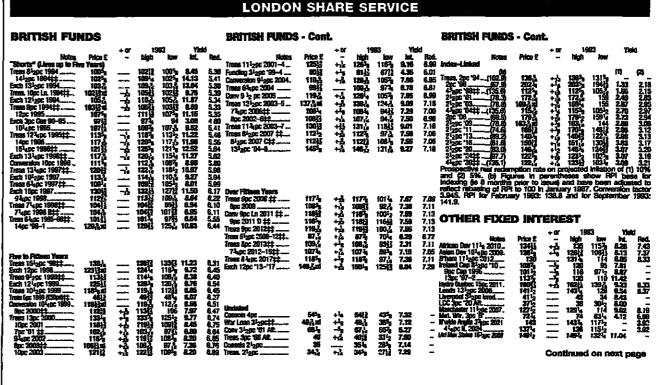
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FT-SE Actuaries Share Indices

FT-SE 100

1526.54 +1.77 3097.5 +4.2 3421.0 +4.5 290 3083.3 3416.5 3412.9 1539.6 3.83 3.56 3.68 3.77 FT-SE 100 FT-SE MM 250 3421.1 3417.7 1542.3 3434.6 FT-SE-MA 250 ex los FT-SE-A 350 3432.6 2607.2 6.23 1231.04 1541.7 1543.9 5.68 3.86 FT-SE SensifiCan 1331.10 1762.91 1767.11 1771.46 3.13 FT-SE SINGUED IN MY Trusts FT-A ALL-SHARE 1195.30 1194.75 1014.49 1017.87 1201.41 768.87 1022.48 672.19 Building Materials(28) Contracting, Construction(29) 2903 98 2142 38 Dectroak(15) 2957.55 2329.20 2910.12 Electronics(39) 459.82 484.25 464.49 255.13 7 Engineering-General(49) 8 Metals & Metal Forming(9) 622.00 622.87 627.99 443.25 470.33 474.78 472.79 270.33 3 Motors(20) 10 Other Industrials(19) 457.30 455.82 456.79 319.68 2066.08 1776.84 1661.68 1650.03 21 CONSUMER CROUP(24) 1661.64 1681.81 22 Brewers and Distillers(25 Food Manufacturing(24) 1838.39 1798.63 1940.68 2096.55 2886.35 25 Food Retailing(17) 2325.98 2325.33 2316.80 3565.75 1385.79 1387-92 1147.51 23 Hotels and Leisure(20) 53.05 1127.33 1385.00 1386.27 2194.27 879.30 2205.53 1645.51 864.88 729.38 30 Media(34) 871.35 862.65 31 Packaging and Paper(26 1313.85 1301.23 1302.70 1292.35 1865.02 1689.22 1620.81 1669.30 1673,46 1615.04 1622.94 1625.29 1421.39 41 Business Services(27) 32.82 1088.46 1510.73 1323.28 1607.33 1616.32 1616.30 1331.00 1607.14 3209.41 3214.15 2466.02 2117.37 2125.06 (532.09 +0.4 2113.48 2117.37 45 Bectricity(17) 2121.67 48 Telephone N 47 Water(13) 2064.93 3582.00 2055.73 1612.94 -0.2 3568.19 3696.67 3596.88 3302.24 2540.12 2594.12 2578.48 2552.76 2320.94 49 INDUSTRIAL GROU +0.3 1524,65 1526,54 1526,65 1339,66 -1.1 2751,25 2756,42 2784,68 2139,60 1529.01 3.76 51 D8 & Cash7) 2720.55 1632.59 +0.1 1630.52 1632.65 1634.65 1413.92 59 "500" SHARE INDEX/615 3.80 8.19 19.77 45.05 1115.80 1190.02 1194.96 1196.10 829.30 61 FINANCIAL GROUP(91) 1190.26 3.23 45.74 34.09 1417.56 62 Banks(9) 1673.45 -0.1 1674.37 1685.50 1678.72 1142.11 3.22 3.75 4.70 45.27 1454.48 2056.00 1632.94 712.66 595.71 promance (Ldelle) 701.89 703.15 26.54 1159.68 866.36 732.95 820.66 458.73 Insurance Brokers(10) 68 Merchant Bankstill 811.90 810.51 813.19 17.13 69 Property(30) 70 Other Financial(23) 43B.44 440.07 442.43 443.63 264.77 1727.06 1236.08 11.17 1497.89 1730.38 99 FT-A ALL-SHARE(817) 16.10 High/day 3107.3 3423.4 1545.8 3099.7 3416.9 1542.1 3105.0 3423.0 1545.2 3097.8 3421.2 1541.8 3103.8 3084.2 3095.0 3101.7 3108.1 FT-SE-A 350) 1535.6 Time of FT-SE 100 high: 1.45 pm low: 8.35 am FT-SE Actuaries 350 Industry Baskets 13.00 1440 16.10 Class dose 1926.2 1927.9 +1.0 1066.5 1455.6 2034.9 1068.7 1460.7 2038.6 1069.5 1460.4 2038.7 1071.8 1469.4 1076.0 1473.4 1076.3 1076.3 2045.1 2034.0 2041.1 2046.1

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1 Mate corroded sense of taste (6)

4 Gave away bread, yet suffered (8)

1 To set in place, I've definitely laid downl (8)

2 Hooligan jokin' about bible classes (8)

shallows we hear (6)
25 One coming out is turned thirteen (3) 26 This blankets frantic revel in bed (8)
27 Reduce the loan that's

27 Reduce the owing (6)
28 Elaborately put round sailors at sea it's said (8)
29 Pierre's left, somewhat mal-

30 Barbers cut off hair - side-boards perhaps (8) 31 Leave waste (6)

fered (8)

9 Small or undersized namely a remnant (6)
10 Hamper progress French cyclist made (8)
11 Sitter's terribly sad (6)
12 Being subtle (to the English non-U) can be cloying (8)
13 Place of rest! Here 25 retired (3)
14 Shunned one gone, having been discharged (6)
17 Such an obstacle, tugs and barges trapped (4-3)
21 Hang down, far from the shallows we hear (6)

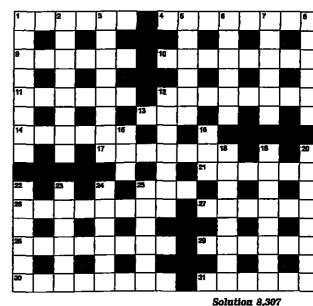
classes (8)
3 Ate most o' salad fruit (8)
5 Lass and lad made plain (6)
7 Cowardly howl, expressing pain (6)
12 Determined band of spirits (4-3)
15 Fish, when it's off, is 16 (3)
16 What a 15 hand turned out not to be (3)
18 Control tear with glue perhaps (8)
19 A revolutionary following?

haps (8)

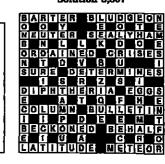
19 A revolutionary following?
A chief source of worry (8)

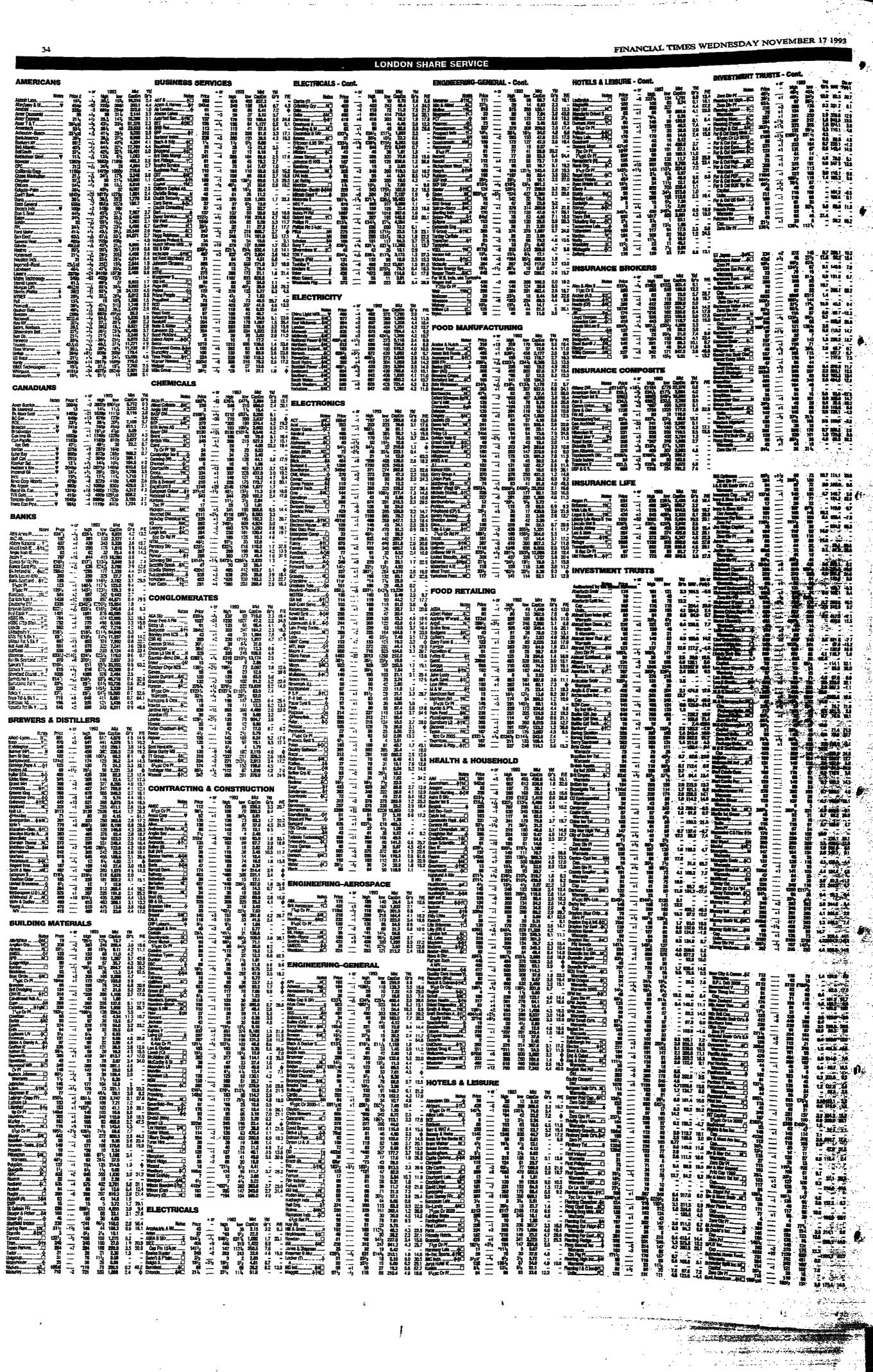
20 See a follower stick by the book (8) 22 Grant account to company

on the way (6)
23 How one can vindicate the sack of Geneva (6)
24 Makes non-oriental packing cases (6) 25 Trader in timber to HM (6)



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FINANCIAL TIMES WEDNESDAY NOVEMBER 17 1993 s rises
) p £100 **LONDON SHARE SERVICE** Mil. Capilm 12.9 49.2 200.8 624.8 222.0 670.3 26.8 1,227 306.8 153.9 1,228 27.1 UNI (2011) (2011 | 38.8 | 3.7 | Sering Apr C to 2 and M: V | 94.pc fam. Care M: V | 94.pc fam. A: V | 94.pc fam. 93 113 250 243 1111₂ 313 313 39 467₂ 387₂ 48 529 188 123¹/₂ 136 465 465 164 426 530 535 1315 49 335 461; 467; 183; 217; 153; 142; 3 108 108 229 217 191 162 8 78 ta | 22 | 124 | 12 | 354.4 1,201 14.2 88.5 51.9 40.1 68.7 42.8 Discound and Platinum
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LERY & Bond | 1-4 | 55-59 | 53-25 | 55-51 | 4-4 | 41-51 |
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Money Market

D-Mark weaker across board

The D-Mark weakened across the board following the ninebasis point drop in the rate for two-week German securities repurchase agreements to 6.29 per cent. writes Conner Middel-

The French franc firmed to FFr3.465 against the D-Mark, from FFr3.476 at Monday's close. The Belgian franc rose to BFr21.23 against the D-Mark, up from BFr21.35 on Monday. The Italian lire also edged higher to close at L978.2 against the D-Mark, from L984.5 on Monday.

While the drop in the German repo rate had been largely discounted, it was seen to facilitate near-term rate cuts among its European neighbours, notably France and Belgium. This underpinned those countries' currencies on the belief that further rate cuts will revive their flagging econ-

Danish krone also firmed against the D-mark, despite yesterday's 4-point cut in its two-week certificate of deposit rate to 7.50 per cent and Monday's :-point reduc-tion in its discount and deposit rates to 6.75 per cent. The krone rose to around DM3.9765 from DM3.9935 on Monday. While many market partici-

£ IN NEW YORK

Nov 16	Latest	Close					
E Spot I month 3 months 12 months	1.4830-1.4840 0.35-0.34pm 0.83-0.82pm 2.53-2.47pm	7,4880-1,4590 0,33-0,32pm 0,83-0,81pm 2,49-2,43pm					
Forward premiums and discounts apply to the US dollar							
e-	CTTDI ING INDEV						

Benk rate refers to central bank discount rates.

COUNTROL INCIDING							
Nov 16	Bank of England Index	Morgan ** Guaranty Changes **					
Sterling U.S Dollar U.S Dollar Canadian Bollar Austrian Schilling Belgian Franc Danish Nome D-Mark Swiss Franc Dutch Guider French Franc Lira Yen Pesetts	81.3 86.2 91.8 114.5 117.7 114.1 124.3 113.8 119.2 105.9 78.9 184.0 86.8	-28.31 -11.80 -10.75 +16.79 -1.75 +85.99 +32.63 +23.17 +21.95 -8.48 -37.21 +125.02 -33.82					

CHODENCY MOVEMENTS

pants expect the Bank of Denmark to continue cutting rates independently of the Bundesbank, some say it may start to throttle the easing pace. "They are being very cautious - like the Bank of France, they don't want to trigger speculative flows out of their currency," said Mr Adrian Cunningham. senior currency economist

with UBS. Although the Danish krone has put on a strong performance in absolute terms since the European exchange-rate mechanism was revamped on August 2, it nevertheless remains the weakest currency in the EMS currency grid.

Sterling also received a boost from the German repo rate reduction, breaching a key technical resistance level at DM2.5175 and closing at DM2.5275. Today's UK retail sales and price data will be closely watched and could provide further upside for sterling.

The US dollar remained subdued in tense trading as dealers awaited the result of today's vote in the US congress on the North American Free Trade Agreement (Nafta). The outcome of the vote is expected

CURRENCIES, MONEY AND CAPITAL MARKETS

to be known around 0100GMT. While the vote still appeared to be a close call, cautious optimism that the trade pact might scrape through Congress supported the dollar in late London trading.

It continued its slow recov-ery against the Japanese yen, closing at Y106.55, up slightly from Y106.50 on Monday. Against the D-Mark it ended at DM1.7020, up from DM1.6900 on

The Canadian dollar slipped to CS1.3212 against the US dollar after the Canadian government announced its budget deficit for the current fiscal year would be C\$40.5bn, compared to previous forecasts for CS35.5bn. The currency closed at C\$1.3190.

	Ecu Contral Autes	Currency Amounts Against Ecu Nov 16	% Change from Central Rate	% Spread vs Weekest Corrency	Divergence Indicator:
Distch Guilder	2.19672 1.94964 0.809628 154.250 192.854	2 15438 1.91978 0.805139 155.308 185 501	-1 93 -1 53 -0.43 0.69 1.37	4.84 4.42 3.27 2.12 1.43 1.35	
Reigian Franc rench Franc Janish Krone	40.2123 6 53883 7,43679	40,7954 6 66830 7 64648	1,45 1 98 2,62	135 082 0.00	-1) -17 -19

Nov 16	Day's Spread	Close	Çee तत्व्वधा	% pz	Three months	β±
s	1,4840 - 1 4905	1.4850 - 1.4860 -	@ 35-0.33cpm		0 64-0 81pm	2.32
302d3	1.9535 - 1.9630	19575 19595	0.31-0.2405/0	169	0.73-0 59pm	1.35
etherlands .	28250 - 28450	28325 - 28425	335 - 1 ₂ 0255	-0.26	کاگی ¹ و ا	-0.35
elgkum	53 55 - 53.60	5360 5370	14-18055	-3.58	36-46dts	-3.06 -2.51
enmark	10 0275 - 10 0600	10.0430 - 10.0500	1-1-21-erecus	-261	5 h-67abs	-251
etand	18575 - 10615	1.0590 - 1.0630	0.03-106cds	-051	0.13-0.18dbs	-0.59
empury		2.5050 - 2.5300	4-45-66	-0.89	3-120S	-0.69
ortugal	256 00 - 258 50	256.50 - 257.50	90 - 205038	-589	340-120ds	-5.91
cabi	203.70 - 205.20	203.75 - 204.05	62 73cds	⊸:.00 ¹	196-21399	-4 90
	2471 25 - 2491 50	2471.25 - 2472.25	7 & reds	-3.64	20-230s	-3.40
	10.9400 - 10.9750	10 9500 - 10 9630	Secreption-page	0.34	11 ₈ -1 ₈ gm	0.23
ance	8.7425 - 8.7200	8.7525 - 8.7635	a-teas	-1.20	2-21203	-1.03
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relandt	1 4000 - 1,4070	14010 - 14000	0.33 0.000	3.30	1 04-1.00pm	291	
Carrada	1,3135 - 1,3165	1 3162 - 1 3170		- 1 0	0.60336E	-0.89	
letterlands .	1 3990 - 1 9:10	19090 - 19100	0.47-0.55ccs	-305	1.17-1.23@s	-2.51	
Besgium	35 95 - 36.20	3665 - 3615	3:00-20:00:25	-532	-15 CU19 00:55	-5.21	
Denimark	67375 - 6.7675	67600 - 67650	91-3 Hores	-5.37	7 20-7 70ds	-441	
Germany		17015 - 17025	0.46-0.47:356	-329	1 20-1 22ds	-284	
أنوسه	171 95 - 173.20	17100 - 17310	130-135026	-919	37.356	-8 10	
Spain"	137 00 - 137.70	137.20 - 137.30	75-73cds	-673	211-218 d s	-6.25	
italy	1661 50 • 1673 00		6.50-9 COmcos	-631	23.00-23 80ds	-5.63	
Hicroray	7.3535 - 7.3775	7 3725 - 7 3775	135-160credis	-2 40	3 50-3 90ds	-201	
France	5.8750 · 5.9025	5.8925 - 5.3975	1.62-1.96cds	-391	4 72 4 87 6 6	-3.25	
S aeden	8 1825 - 82450	8.2325 - 8.23.75	310-3-00m5s	-474	7 65-3 05dls	-3.61	
lwan	105.20 - 108.75	106.50 - 105.50	0.06-0.05550	062	0 30-0 29pm	111	
Austria	11.9050 - 11.9550	11 9475 - 11 9525		-326	8 30-9 200s	-293	
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Commercial rates taken inwards the end of London tracing, if UK, treased and Eou are quoted in US currency. Forward premiums and discounts apply to the US obtar and not to the Instinctual currency.							

EURO-CURRENCY INTEREST RATES							
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	0 673	1	1.702	108 5	5.897	1.498	1.910	1665	1 319	36.13	137.3	0.886
DM	0.396	0.588	1	62.60	1.465	0.890	1.123	B78.2	0.775	21.23	80.69	0.521
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S Fr.	0.449	0.667	1.136	71.1D	3.936	-ī	1.275	1111	0.880	24 11	91.64	0.591
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Litra	0.405	0.601	1.022	64.00	3.542	0.900	1.148	1000.	0.792	21.70	82.48	0.532
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250,000 64ths of 100%	Strike Calis-settlements Puts-settlements	Strike Cal
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113 1-07 1-59 0-11 1-43 115 0-26 1-29 0-30 2-13	9575 0.02 0.38 0.19 0.04	1005 0.0
115 0-26 1-29 0-30 2-13 116 0-07 1-04 1-11 2-52 117 0-02 0-48 2-06 3-32	9600 0.01 0.18 0.43 0.09 9625 0 0.07 0.67 0.23	1015
118 0 0-33 3-04 4-17 119 0 0-23 4-04 5-07	9650 0 0.03 0.92 0.44 9675 0 0.02 1.17 0.88	1020 1025
Estimated volume total, Calls 9073 Purs 3430 Previous day's open int. Calls 90952 Purs 56694	Estimated volumo total, Calls C Pols 0 Provocus day's open Ins. Calls 2676 Puss 2650	Estimated volu Previous day's
	LISTE ITALIAN GOVT. BOND (STP) RYTURES	LIFFE SHORT
LIFFE RURQUARK OPTIONS Dilling points of 100%	OPTIONS Uka 200m 100ths of 100%	2508,000 pain
Strike Calis-settlements Puts-settlements Price Dec Mar Dec Mar	Sarike Calis-settlements Puts-settlements Price Dec Mar Dec Mar	Strike Cell Price D
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9350 0.42 1.13 0 0.01 9375 0.19 0.89 0.02 0.02 9400 0.04 0.55 0.12 0.03	1140 0.75 2.22 0.40 2.03 1145 0.45 1.98 0.60 2.29	9425 0.1 9450 0.1
9425 0.01 0.42 0.34 0.05 9450 0 0.24 0.58 0.12	1150 0.29 1.76 0.94 2.57 1156 0.16 1.55 1.31 2.86	9475 0.0 9500 0.0
9475 0 0.12 0.63 0.25 9500 0 0.06 1.08 0.44	1160 0.10 1.36 1.75 3.17 1165 0.05 1.19 2.20 3.50	9525 9550
Estimated volume total, Calls 8855 Puts 4734 Previous day's open Int. Calls 243566 Puts 112319	Estimated volume total, Calls 3806 Puta 2207 Previous day's open int. Calls 56265 Puts 38055	Estimated vols Previous day's
LONDON (LIFFE)	CHICAGO	
9% NOTIONAL BRITISH GILT * SSO.000 32nds of 100%	U.S. TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%	JAPANESE Y
Close High Low Prev. Dec 114-30 115-11 114-26 114-23	Latest High Low Prev. Dec 117-08 117-14 116-30 116-28	Dec
Mar 114-08 114-19 114-06 114-01 Estimated volume 60697 (36158)	Mar 116-02 116-06 115-24 115-21	Mar Jun
Previous day's open int. 110840 (114915)	Sep 114-00 114-01 114-00 113-20	
6% NUTRONAL GERMAN SOVT, BOND * DM250,600 1008ss of 100%	Dec 113-19 113-19 113-19 113-06 Mar 112-15 112-15 Jun 111-26 111-28	DEUTSCHE I
Clase High Low Prev.	Sep 111-07 111-07 Dec 110-22 110-22	DM125,000
Mar 100.09 100 22 100.03 99.90	Mar 110-07 110-07	Dec Mar
Estimated volume 100643 (96022) Previous day's open kst. 186898 (186977)	U.S. TREASURY BILLS (MMM) S1m points of 100%	Jun
6% NOTIONAL BEDION TERM GERMAN GOVT. BOND (BORL) DN250,000 100ths of 100% "	Latest High Low Prev. Dec 96.86 96.86 96.84 96.84	
Close High Low Prev Dec 102.85 102.93 102.83 102.77	Mar 96.71 96.72 96.71 96.89 Jun 96.48 96.48 96.48 96.45	TKREE-MON Sim points o
Mar 103.00 102.93 Estimated volume 2657 (2866)		Dec
Previous day's open int. 23313 (24245)	BRITISH POUND (DADA)	Mar Jun
6% ROTTONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%	Ss per E Latest High Low Prev.	Sep Dec
Close High Low	Dec 1.4836 1.4870 1.4830 1.4860 Mar 1.4790 1.4800 1.4760 1.4788	Mar Jun
Mar 113.80 113.80 113.69	Jun 1.4724 1.4724	Sep
Estimated volume 4125 (2154) Traded exclusively on APT	SWISS FRANC (IMM)	STANDARD (\$500 times in
12% HOTHORIAL FTALIAN GOYT, BOND (BTP) ** URA 200m 1006s of 100%	SFr 125,000 S per SFr Latest High Low Prev.	Dec
Close High Low Prev. Dec 114 35 115.33 114.25 115 00	Latest High Low Prev. Dec 0.6669 0.6690 0.6666 0.6693 Mar 0.6669 0.6675 0.6650 0.6678	Mar Jun
Mar 114.19 115.04 114.29 114.83 Estimated wokume 45076 (31552)	Jun 0 6672 0.6672	Sep
Provious day's open Int. 97660 (96638)		
10% NOTIONAL SPANSH GOVT, BOND (BOKOS) Pla 20m 100ths of 100%	PHILADELPHIA SE 2/8 OPTIONS	
Clase High Low Prev.	£31,250 (cents per £1)	
A N	Strike Calls. Price Dec Jan Feb A	Azr Dec
A Estimated volume 0 (0)	1 425 6 00 6.33 6.69 6. 1 450 3 83 4.47 4.99 5.	96 0.16 35 0.48
Provious day's open int. 0 (0)	1500 093 1.86 2.50 2	99 1.20 89 2.53
THREE MONTH STERLING E500,000 points of 100%	1 550 0 07 0 59 1.07 1.	09 4.36 43 6.58
Clase High Law Prev.	Previous day's open Int. Calls 568,616 Pols 5	94 8.92 62,713 (All co
Dec 94.47 94.48 94.44 94.44 Mar 94.68 94.69 94.64 94.64	Previous day's volume: Calls \$2,170 Puts 7,70	55 (All Curren
Jun 94 70 94 71 94 68 94 69 Sep 94 59 94 61 94 57 94 57 Dec 94 45 94 47 94 43 94 44	PARIS	
Est. Vol. (Inc. figs. not shown) 32564 (26587)	7 to 10 YEAR 10% NOTIONAL FRENCH BOND	
Previous day's open int. 373824 (374205)	Open Sett prico Change December 123.96 123.94 +0.10	
THREE MONTH EURODOLLAR - Sim points of 198% Clase High Law Prev.	March 127.94 127.92 +0.08 June 127.36 127.34 +0.08	127.50
Clase High Law Prev. Dec 96.51 96.50 96.49 96.47 Mar 96.46 96.46 96.44 96.42	Estimated volume 153,886 † Total Open Interes THREE-MONTH PIBOR FUTURES (MATIF) (Pari	
Jun 96.18 96.18 96.17 56.12 Sep 95.91 95.90 95.89 95.84	December 93.57 93.57 +0.02	93 60
Est. Vol. (inc. figs not shown) \$14 (804) Provious day's open int. 13076 (12944)	March 94.43 94.44 +6.03 June 94.90 94.92 +0.03	94.45 94.96
THREE MONTH EURONARK .	Scottember 95 18 95 19 40.03 Estamated volume 33.191 † Total Open Interest	95.21
OM 1m points of 100%	CAC-40 PUTURES (MATIF) Stock index (flor 10	
Close High Law Prev. Dec 93.92 93.95 93.91 93.92	November 2143 0 2142.0 +13.0	2162.0
Mar 94 62 94.65 94 60 94 62 Jun 95 07 95 10 95 05 95.06	December 2155.0 2155.5 +13.0 January 2166.5 2166.5 +12.5	2173.5 2166.5
Sep 95.35 95.39 95.34 95.34 Dec 95.47 95.43 95.43 95.43	March 2130 0 2187 0 +13 0 Estimated volume 21,431 † Total Open Interest	2200.0
Estimated volume 94814 (70293) Provious day's open int. 729121 (725334)	ECU BOND (MATIF) (Nov 10)	
THREE MONTH ECU	December 119.90 119.96 +0.04	120.20
ECU 1m points of 100%	Estimated volume 3,742 † Total Open Interest	

FINANCIAL FUTURES AND OPTIONS

203,126 108,110 uma 34,313 † Total Open kri **BASE LENDING RATES** Alled Trust Bank 6 AlB Bank 6 * Rooburghe Bank Ltd ... 8 " (In administration)
Royal Sk of Scotland6 Gårobank6 Bank of Baroda ... Banco Bibao Vizcava.... 6 ●Guaraness Mahari 6 Standard Chartered 6 Habib Benk AG Zurich _6 eHambros Bank6 CUnited Bk of Kuwait __ 6 Heritable & Gen Inv Bk. 6 Hill Samuel......6 Unity Trust Bank Pic ... 6 Bank of Scotland Barclays Bank Brt Bk of Mid East C. Hoare & Co. Hongkong & Shanghai... 6 Julian Hodge Bank 6 CLaopold Joseph & Sons 6 BBrown Shipley6 Libyds Benk 6 Meghra; Benk Ltd 6 Midlend Bank6 Mount Benking ,
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Trust Funds 0.02 0.08 0.19 0.54 1.00 1.49 1.99 2.49 ume total, Çaliş 16143 Putş 15484 s doen ist. Calis 239718 Puls 18549 0.02 0.02 0.03 0.17 0.33 0.55 0.78 1.03 Mar 0.94 0.71 0.50 0.31 0.17 0.08 0.04 0.02 Ma 0.01 0.03 0.07 0.13 0.24 0.41 0.51 **Money Market** Puts Jan 0.70 1.30 2.25 3.56 5.27 7.24 9.37 1.86 2.88 3.78 5.17 6.78 8.55 10.54 TURES (Nov 18h Open In 175,181 39,055 2,319 offered catel (Nov 10) 93.56 94.42 94.90 95 17 31,380 37,565 181 12,219 119.90 Estimated volume 3.742 + Total Open Interest 12.760 Goss Figh Low Prev 96 58 95 59 95 57 95 57 96 09 96 13 96 09 96 10 96 34 96 34 96 34 96 45 96 45 96 45 56 44 Open Int 203,126 108,110 890 1 Esamtated volume 34,313 † Total Open Interest 578,522 † All Yield & Open Interest figures are for the previous day.

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MONEY MARKETS

German repo rate ease

The minimum rate for German 15-day securities repurchase agreements fell nine basis points to 6.29 per cent at the Bundesbank's latest open-market operation, writes Conner Middelmann.

A substantial drop in the repo rate had been widely expected after the rate for D-Mark overnight funds eased by about 10-15 basis points last week. Call money remained unchanged after the operation at about 6.30 per cent due to a DM3.2bn liquidity drain at the allocation.

UK clearing bank base lending rate from January 26, 1993

In spite of this week's larger drop in the repo rate following last week's tiny market rates in Germany plus one-basis-point reduction · a relatively firm franc could most market participants do not expect the Bundesbank's central bank council to lower basis points off the Germany's leading discount intervention rate," currently at and Lombard rates at its 6.45 per cent, he said. meeting tomorrow. The Council meets again on traders are betting on another deal is struck today, we could

of these meetings. The Dutch central bank swiftly followed the the Bank of England forecast a Bundesbank, cutting its special flat liquidity situation and advances rate by 0.10 basis

caused no ripples. Also as expected, the Danish central bank cut its two-week certificate of deposit rate by 1/4 point to 7.50 per cent following Monday's 4-point cut in its discount and deposit rates to 6.75 per cent.

ited valume 4865 (8022) us day's open int. 54559 (52865)

Close High Low 91.15 91.32 91.15 91.88 92.01 91.87 92.28 92.43 92.21 92.52 92.65 92.51

Estimaled volume 7420 (5541) Previous day's open Int. 113734 (113191)

Contracts traded on APT. Closing pages shows.

POUND - DOLLAR

FT FOREIGH EXCHANGE RATES

Close High Low Prev 3106.0 3121 0 3091.0 3097.0 3124 5 3134 5 3115.0 3115 0 3136.0 3139 0 3139.0 3126.0

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THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 180%

Austria left its rates unchanged. The discount and Lombard rates are half a point below German levels and the central bank cut its GOMEX rate by 10 basis points to 6.1 per cent last week.

According to Mr André de Silva, market strategist at PaineWebber International, the French and Belgian authorities might soon be tempted to shave official rates.

Having lagged Bundesbank's rate cuts in recent months, "lower money well prove irresistible (for the Bank of France) and see 20

In Belgium, the focus remains on the government December 2 and 18, and most talks for a social pact. "If a round of key rate cuts at either see a rate cut by the end of the week," said Mr de Silva. In the sterling money market

flat liquidity situation and carried out no money-market points to 6 per cent. The move had been widely expected and operations. The short sterling future rose 0.03 point to 94.47. operations. The short sterling

FT LONDON INTERBANK FIXING (11.00 a.m. Nov 16) 3 months US dollars 6 months US Dollars bid 3.% offer 3.% The fixing rates are the arithmetic means rounded to the nearest one-stateenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at \$10.00 a.m. each working tay. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Parks and Morgan Guaranty Trust. **MONEY RATES** NEW YORK Treasury Bills and Bonds

ime rate	6 T 5 S 34 C	iwo month iaree month ine year		3.09 Five 3.16 Sev 3.34 10- 3.49 30-	year yearyear	4.42 	
Nov 16	Overn	ight	One Month	Te/O Months	Three Months	Six Months	Lombard Intervention
ankturtaris	6.20-6 64-6 45-4 6.06-6 27-2 813-6 93-6	78 6 12 5	25-6.40 .72-6.87 41 ₂₋₄₅ .53-6.00 812-9 313-91	6.25-6.35 - - - - - - - - - - - - -	6.15-6.25 6.58-6.73 4.7-4.6 6.80-5.85 811-9 87-87-6-6	5.80-5.95 - - - - 6-61 ₈	6.75 6.45
LONDON MONEY RATES							
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asury Bits (sell); one-month 512 per cent, three months 5 per cent, six popules 5 per cent; Bank Bits							

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AMERICA

vote restrains Dow

Wall Street

US SHARE prices weakened slightly across the board yesterday morning as many investors and dealers stayed on the sidelines to await today's crucial Nafta vote, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 2.24 at 3,657.28. The more broadly based Standard & Poor's 500 was 0.29 lower at 463.46, while the Amex composite was down 2.65 at 475.17, and

MEXICAN equities continued their forward progress as most investors remained satisfied that the Nafta pact would be passed by the US congress later today. The IFC index was 37.04, or 1.7 per cent, higher at 2,160.37 in midsession trading. Volume was estimated at some 4.2m shares.

the Nasdaq composite 4.43 lower at 768.02. NYSE volume was 162m shares by 1 pm. As on Monday, trading was hampered by uncertainty surrounding the outcome of the

House of Representatives' vote

(due some time tonight) on the

North American Free Trade

assage of Nafta as clearly bullish for equities - free trade should promote exports and economic growth, say economists - but remain concerned that a majority of House members may vote against the treaty on the grounds that it will lead to a loss of US jobs to Mexico. Although both sides claimed

vesterday that they had enough votes for victory, the markets believe that President Clinton will secure enough support in the House to ensure that Nafta passes into law. Yet there were enough doubts to persuade many investors and dealers to stay clear of the markets until after today's decision has been made.

Stock market sentiment was not helped by further declines in bond prices, which pushed the yield on the benchmark 30year bond up to 6.16 per cent and fuelled fears that long-term interest rates may be on the rise.

Among individual stocks. Telefonos de Mexico, the market's biggest "Nafta play", continued to be buffeted by the uncertainty surrounding the treaty's fortunes. After posting declines in the previous two

trading days, Telmex rebounded \$1% to \$56% yesterday in volume of 3.6m shares. Much of the weakness in the Dow was attributable to the big decline in Caterpillar shares, which fell \$3 to \$86% in heavy trading after the broking house, Donaldson Lufkin & Jenrette, downgraded the stock

from "buy" to "moderately

attractive" and lowered its

earnings forecasts. General Motors class "E" shares climbed \$1% to \$29% on the news that the company is considering using 185m of the shares to fund its pension liability if it receives the go-ahead of regulators. GM "A" shares were also stronger, up \$1% at

On the Nasdaq market, leading technology stocks were in mixed form. Intel fell \$1 to \$59 and Borland International dropped \$% to \$17% but Apple rose \$1 to \$33 and Microsoft added \$\% at \$81.

Canada

TORONTO was marked down at midday as today's US vote on Nafta and a depressed gold sector weighed on confidence. The TSE-300 index shed 13.74

Uncertainty on Nafta Credito Italiano bucks Milan downtrend

WITH global strategists concentrating on the big pic-ture - Nafta, Latin America and Asia - bourses were left to heir own devices, writes Our

MILAN, where trading was delayed until midsession by technical problems with the screen based system, was lower on the last day of the November account, the Comft index shedding 11.29 or 2.1 per cent to 534.13.

Credito Italiano bucked the trend, adding L104 to L2,357 after a high of L2.389 in a continued response to Monday's profit and dividend announcement, and plans for its privati-

Heavily traded telecommuni-

cations stocks were marked down on profit-taking and posttion squaring. Stet shed L107 to L3,571 and Sip L164 to L3.010. Fiat shares dipped L31 to L3,578 as many shorts were

carried over to the December trading period, for technical reasons associated with the end of the rights issue. FRANKFURT reflected a repo rate cut, strength in derivaing as it celebrated today's hol-

man stock market in

recent months has been the

performance of shares in

Aachener und Münchener

Beteiligungs (AMB), Ger-many's second biggest insur-ance group after Allianz.

Over the course of the cur-

rent year AMB's shares have

nearly doubled, rising from

about DM750 at the beginning

of the year to DM1,430 yester-

day, thus significantly outper-

forming the blue chip DAX

index and the more broadly

based FAZ, which have both

climbed by around a third

outperformed the market.

reflecting investors' liking for

insurance companies at a time

of declining interest rates,

AMB's spectacular rise has

more to do with the fact that the Aachen-based insurer has

become a "special situation".

tre of an unresolved takeover battle which has persisted, through a multitude of

baroque twists and turns and

varying degrees of intensity,

since 1991, when Assurances

Générales de France (AGF).

the French state-owned insur-

After much mutual hostility.

the tensions between the two

the end of last year. Shareholders in AMB endorsed a "cease-

fire" which gave AGF the right

cent stake plus representation

In return, AGF delivered

Crédit Lyonnais as a buyer for

a majority stake in BfG Bank, AMB's banking subsidiary

which had cost it billions

since it bought it years ago

as an ill-judged foray into

The deal was struck hours

before the European single

market programme came into

force, engendering images of

peaceful Franco-Teutonic

co-operation in the German insurance market, the largest

in Europe. But just as roman-

DOLLAR INDEX

the German company

on the AMB board.

'allfinanz"

In short, AMB is at the cen-

Although Allianz has also

since January

iday with the DAX index 22.61 higher at 2,071.72.

Turnover rose again, from DM9.7bn to DM11.1bn. A nine basis points cut in the repo rate suggested that another cut in key interest rates would come sooner rather than later, and brought buying orders for the DAX future.

This lifted the big blue chips, particularly Allianz which rese DM71 to DM2,901, with Daimler up DM7.50 to DM715.50 and Siemens DM5.50 better at

In banks, the focus turned to Dresdner, DM9.50 higher at DM435.50, and to Commerzbank, up DM7.50 to DM357.50 on talk that its impending nine-mouth profits would show a rise appreciably greater than the 50 per cent plus it forecast at the end of last month. PARIS had an opportunity to

react to the government's fix-ing of the Rhône-Poulenc share offer which came in at the lower end of expectations. The shares in the chemicals and pharmaceuticals group put on FF13.00 to FFr156.60, compared with the price of FFr135 set for sale to retail investors. The CAC-40 index gained 6.76

to 2.124.66. Générale des Eaux

I I-SE Actuaries Share Indices THE BURDPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Hearly changes 135155 135162 136765 138277 185160 135402 1351.90 1353.20 FT-SE Buretrack 200 1414.40 1418.05 1414.88 1415.51 1418.45 1417.31 1415.44 1418.29 Mey 16 Hov 12 - New 11 How 10 How 9 1334.90

positive company comments new aircraft to the UK. while Euro Disney picked up 80 centimes to FFr34.00 as some buyers returned following a sharp decline last week.

AMSTERDAM softened

slightly as some of the major international stocks weakened. The CBS Tendency index slipped 0.3 to 137.6. Royal Dutch shed F13.00 to Fl 193.70 as one London-based broker came out with a downgrade on the stock from hold to sell. Kleinwort Benson commented that while the group offered a "safe earnings and dividend stream", the recent

outperformance in the share price was a good opportunity. to take profits.

Same with 1900 (20/1030) Hybridge 100 - 1555.50; 200 - 1417.60 Leveling: 100 - 1561.60 200 - 1415.65 advanced FFr65 to FFr2,646 on it had won an order to supply

> MADRID saw contrasts the banking sector as the general index rose 2.04 to 302.93. Argentaria climbed Pta290. or 4.7 per cent to a new high of Pta6,410 as Banesto dropped Pta45, or 1.8 per cent to Pta2,425. The former was setting the price for a second share offer late yesterday, and dealers were looking for some thing at the top of the range the latter reported a ninemonth loss, after provisions. ZURICH was easier in low volume, awaiting tonight's Nafta vote and its impact on

US markets, and the SMI index shed 5.1 to 2,712.3. BRUSSELS was little moved Fokker picked up 60 cents to in spite of a strong rally in 122.30 after announcing that GIB, which rose BFr34 or 2.6 per cent to BETLEM as the Bel-20 index shed fast 428 to 1.375.92 Elsewhere Petroda lost

BFr40 to BFr9,756 at SGB BF740 to BF12, and SGB-BF755 or 2.2 per cent to BF72,435. Solvay diversed BF775 to BF714,375 to moorts that a tax on some of he prod-

stockholm lost ground after falls in both age and Ericsson depressed sentiment The Affärsvärlden einer index declined 143 to 138 Turnover was SKr1.4m

Ericsson B shares ass SKr14 to SKr406 while Asia lost SKr1 to SKr170. HELSINKI rose by 17 cent, the Hex index closing a higher at 1,542.9. A prelimina one-year pay deal in the paindustry took the foreshares index up by 2.9 page ATHENS advanced reports that the govern may impose a tax on machase agreements, which

lysts believe will entire back into equities. The gar index added 5.09 to 883. good turnover of some Day written and edited by the

Frankfurt speculates as AMB shares soar

David Waller questions whether the insurer's popularity is based on facts, or tumou

Nikkei recovers ground as region takes profits

Tokyo

THE Nikkei average recovered some ground after Monday's 2.3 per cent fall on buying by pension funds and institutions. agencies report from Tokyo. The 225-issue index finished

171.51 firmer at 18,246.12, after a day's low of 17,877.69 and high of 18.467.25. Volume was estimated at 260m shares. Rises outscored

falls by 535 to 452, with 174 issues unchanged. The Topix index of all first section stocks improved 9.69 to 1,549.34, and in London the ISE/Nikkei 50 index put on 0.73 at 1,250.65. Arbitrage-linked selling

depressed the market in early trading but short-covering in futures caused a technical rebound later. Comments from government officials that the country may consider taking additional measures to boost the economy helped sentiment. In spite of the day's gains. many investors remain tious ahead of the visit of

kawa to the US at the end of Banks and other financial stocks gained strength on bargain hunting: Nomura Securities added Y10 at Y1,920, Dai-Ichi Kangyo Bank Y30 at Y2,280 and Sumitomo Bank

Prime Minister Morihiro Hoso-

Y50 at Y2,360.
Daikyo, the building group, lost Y124 to Y946 after revising down its forecast for earnings in the year to March 1994.

Roundup

THE region's markets were generally easier yesterday. HONG KONG ended moderately lower as bargain hunting helped to trim early losses. The Hang Seng index shed 49.69 to 9,683.65, having been 128 points

Hong Kong Telecom lost 40

Letest prices were unavailable for this edition

NATIONAL AND

cents at HK\$16.10 as Goldman Sachs downgraded its rating. HSBC fell HK\$1.50 HK\$88.50 but Hutchison Whampoa rose 50 cents to HK\$31.75. Lai Sun Garment, benefiting from institutional

switching, jumped HK\$2.40 to SEOUL gave way to profittaking in reaction to Monday's fourth consecutive year's high and the composite stock index

receded 8.07 to 802.65. Among recent strong gainers, Samsung Electronics retreated Won500 to Won47,500 and Hyundai Motor Won400 to Won32,300.

SINGAPORE was lower as brokerages imposed restrictions on intraday buying and selling by retail investors in line with the securities authorities' guidelines to check excessive speculation.

The Straits Times Industrial index ended 17.54 off at 2,078.01, after an intraday low of 2.071.87. Shipyards bucked the trend, Keppel rising 55 cents to S\$10.40 and Jorong Shipyard 60 cents to S\$13.50.

KUALA LUMPUR finished nerally easier as volume shrank on lack of demand, and buying restrictions imposed by broking firms. The composite index fell 10.07, or 1.1 per cent, to 951.30.

Some institutional interest, however, helped to push Malayan Banking 70 cents higher to M\$19.10. AUSTRALIA ended slightly firmer, with the All Ordinaries

index 0.9 up at 2,083.8 in turnover of A\$309.2m Activity was seen in the banks, where ANZ results disappointed many investors and the shares lost a cent to A\$4.44. NEW ZEALAND saw a fall in Carter Holt Harvey unnerve the market and the NZSE-40 index declined 20.00 to 1,978.71. Turnover was strong at

NZ\$88m. Carter Holt finished

MONDAY NOVEMBER 15 1967

MANILA strengthened, with brokers reporting activity among second line issues. The composite index moved ahead 22.12 to 2.407.01. Turnover

amounted to 1.3bn pesos. KARACHI ended at another record high, helped by gains in the financial and chemical sectors. The KSE index added 62.96 at 1.780.03. BOMBAY rose on heavy buy-

ing by foreign institutional investors after an initial bout of profit-taking. The BSE 30are index closed 61.91 higher at 2.848.19. BANGKOK eased a shade,

although some investors entered the market on late bargain hunting. The SET index slipped 0.54 to 1,366.77 in turnover of Bt15.5bn. SHANGHAI and SHENZHEN saw brisk volume on buying by overseas institutional funds.

5.1, or 7.3 per cent, to 75.28 and 1.36, or 1.8 per cent, to 78.15 Over the past two weeks,

and their R share indices rose

Shanghai Bs have climbed 26 per cent and Shenzhen's 15 per TAIWAN fell back on profittaking, the weighted index relinquishing 27.80 to 4,301.25.

Turnover dipped to T\$34.9bn from Monday's T\$47.5bm. Among the actives, China Steel lost 50 cents to T\$19.40. COLOMBO continued to fall, the market index shedding 12.7 to 894.0, but turnover picked up strongly to SLRs145.4m from Monday's SLRs98.6m.

SOUTH AFRICA

INDUSTRIAL shares extended an early afternoon rally, while gold shares firmed, lifting the latter's index 7 to 1,949. The industrial index rose 56 to 4,692 and the overall index was 23 higher at 4,126. De Beers declined R2 to R84.

FREDAY NOVEMBER 12 1998

ne of the curiosities of the sharply rising Gercourse of 1993, the harmony between the French and the German camps proved illusory. AMB have not degenerated into the outright hostility of yesteryear. But following two. transactions earlier this year, a question mark hangs over the fate of Germany's second larg-

> est insurer. The first took place in early May when Fondiaria, a troubled Italian insurer, sold its 21 per cent shareholding in AMB to a group of German institutions (including Deutsche Bank, which took 10 per cent, and Allianz, which took 5 per

Although the purchase was presented disingenuously as a friendly move on the part of the German financial establish-



ment, designed as an amicable counterbalance to AGF's position in the AMB boardroom, one does not have to be too Machiavellian to see the purthe French. "This was a deliberate attempt to keep a second French competitor out of the German market," commented the chief executive of another German insurer. The single French-controlled company in the German insurance market

is Colonia. The second transaction followed in July when AGF announced that it had lifted its stake in AMB to 33.5 per cent via purchases in the market. AGF's public comments at the time were far from bellicose but the move was seen by investors as a move to tighten control over its German target. In the absence of any rules

governing takeovers and disclosure requirements in Germany, it is impossible to know

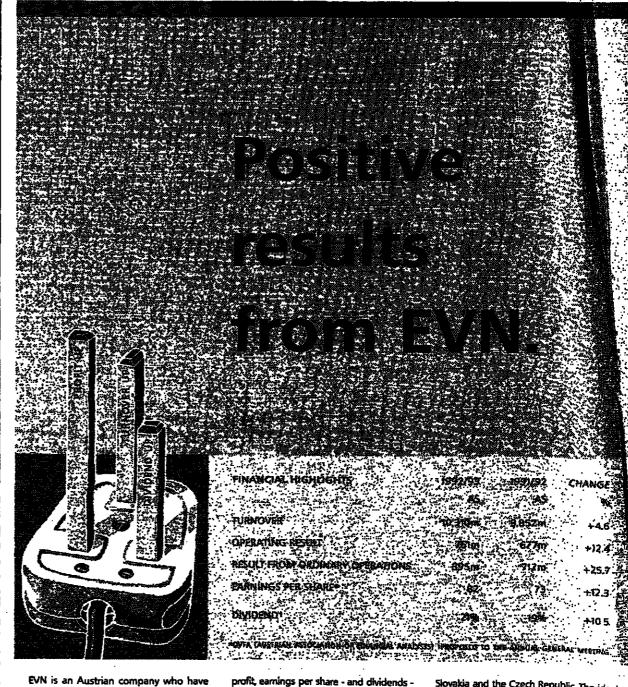
with certainty what has hap-

share for its extra holding. AGF increased its stake further? Or have other tors been spreading s rumours in order to boost price of their own holding Analysts note that in thighly illiquid market for A shares, small share purch trigger sharp price rises, a ing it easy for the unsch lous to manipulate pric None of the main parties we willing to comment yesterd One thing is certain: shares are overvalued on ! damental grounds, trading around 100 times 1993 earni with no spectacular earning growth in sight, and at a se stantial premium to net ass

based on outside estimates,

DM1,100 a share.

pened since July when All thought to have paid DMI



been supplying electric power, gas and heating for many years. Experience that is quite literally paying dividends.

This year, despite the gloomy economic dimate, EVN recorded a growth in sales in all areas. With the result that turnover.

are all up on the same period last year. But there's more to a successful company ... than a healthy balance sheet.

Geographically EVN is also in an excellent position. Based outside Vienna, EVN is dose to Austria's borders with Hungary,

Slovakia and the Czech Republic. The ideal location to plug in to the expanding Eastern

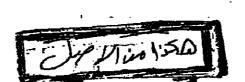
In short, not only does the present look good, the future looks even brighter. In fact we doubt that you'll find a company in Europe with better connections

FOR MORE INFORMATION, CONTACT OR. GEORG MALE, EVN INVESTOR RELATIONS, A-2344 MARIA ENZERSOORS, AUSTRIA. TELEPHONE: 4-43-2236-200-2734. FAX: 4-43-2236-200-2600

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS	WARKETS MONTALY TOYCOMOCH 13 1963 FRANKY NOTICEMEN 12 1969 DOLLAR MARK					<u></u> A										
Figures in parentheses show number of lines of stock	US Dožar index	Day's Change %	Pound Sterieng Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Oofer Index	Pound Sterling Index	Yen Index	Divi Index	Local Currency index	1993 Hilgh	1983 Low	Year ago (approx)
Australia (63)	154,25	-0.2	153.53	103.84	135.53	156.79	+0.5	3.31	154,48	154.44	103.66	135,86	156.02	162.83	117.39	108.1
Austria (17)	174.44	+1.7	173.64	117.41	153.27	152.90	+0.9	1.03	171,60	171.55	115.15	150.91	151,52	184,47	131.18	139.5
Belgium (42)	151.74	+0.4	151.04	102.15	133,32	135.09	+0.3	4.26	151,07	151.03	101,36	132.85	134,68	156.76	131.19	135.5
Canada (107)	134.01	-1.1	133.38	90.21	117.73	128.33	-0.4	2.61	135.54	135.50	90.94	119.19	128.88	135.54	111,41	112.
Denmark (32)	237.99	-0.4	236.89	160.22	209,11	218.33	-0.3	1,04	239.01	238.94	160.37	210.18	219.02	241.08	185.11	199.0
inland (23)	119.51	-1.3	118.95	80.46	105.00	148.53	-1.1	0.71	121,07	121,03	81,24	106,47	148.17	128.99	85.50	67.2
France (98)	163.62	+1.0	163.06	110.28	143.92	150,97	+0.8	3.08	182.25	182.20	108.86	142,67	149,84	173.05	142,72	145.
Jermany (60)	132.11	+1.6	131.49	88.95	116.07	116.07	+1,5	1.83	130.06	130.02	87. 2 8	114.37	114.37	136.13	101.59	106.4
Hong Kong (55)	394.34	+0.6	392.51	265.47	346.49	391.12	+0.6	2.80	392.07	391.96	263.07	344,80	388.87	394.34	218.82	255.
reland (14)	177.34	+0.5	170.52	119,39	155.81	177.47	+0.5	3.19	178,45	176.40	118.39	155,17	178.64	177.89	129,28	124.
taly (70)	62,27	-1.5	61.98	41.92	54.71	77.38	-1.1	2.16	63.20	63.18	42.40	55,57	78.20	78.93	53.78	61.
lapan (469)	146.00	-2.0	145.32	98.28	128.29	98.28	-1,5	0.83	148.93	148.88	99.93	130.98	99.93	165.91	100.75	98.
Majaysia (69)	475.79	-1.7	473.58	320.29	418.03	486.72	-1.8	1.47	483.85	483.72	324,64	425,49	475.37	487.72	251.66	278.
Mexico (19)	1874.84	+3.1	1866.14	1262.15	1647.28	6590.26	+2.6	0.75	1818.30	1817.80	1220.08	1599,02	6421,34	1874,84	1410,30	1495.
letherland (26)	191,99	+0.9	191.10	129.25	168.69	166.27	+0.9	3.19	190.24	190.19	127.65	167.30	184.84	197.07	150,39	151.
lew Zealand (13)	59,93	+0.2	59.65	40.35	52.66	59.07	+0.1	3.84	59.83	59.81	40.15	52.62	59.02	68.38	40.58	38.
torway (23)	176.16	+0.1	175,35	118.60	154,78	175.51	-0.3	1.45	176.02	175.97	11B.11	154,80	175.96	185.10	137.71	130.
Singapore (39),	313.01	-0.9	311.56	210.72	275.01	229.85	-0.9	1.39	315.73	315.64	211.85	277.65	231.85	332.55	207.04	195.
South Africa (60)	217.69	-21	216.68	146.55	191,27	208.17	-0.3	2.58	222.41	222.35	149.23	195.59	208.79	222,41	144.72	143
Spain (42)	137,11	-0.2	136.47	92.30	120.47	142.56	+0.2	4.15	137.44	137,40	92.22	120.86	142.28	145.24	115.23	110
weden (36)	198.26	+0.2	197,34	133,47	174.20	240.53	+0.1	1.45	197.77	197.71	132,70	173.92	240.22	208.92	149.70	156
Switzerland (50)	147.06	+0.5	146.38	99.01	129.23	135,94	+0.1	1,60	146.37	146.33	98.22	128,74	135.84	148.18	108.91	105.
	185.68	+0.3	185.81	125.66	164.01	185,81	-0.1	3.86	186.13	188.06	124.88	163.67	186.08	193.97	182.00	161.
inited Kingdom (218)	188.91	-0.4	188.04	127.18	165.99	188.91	-0.4	273	189.67	189.62	127.28	166,81	189.67	191,58	175.38	172
JSA (518)																
urope (751)	157.69	+0.5	156.96	106.16	138.55	151.68	+0.3	2.99	156.87	156.83	105.26	137,96	151.24	162.97	133.92	132
lordic (114)	187.80	-0.1	186.93	128.43	165.01	197.84	-0.2	1.26	188.02	187.97	126.16	165,35	198.16	194,54	142.13	145
acific Basin (714)	154.98	-1.7	154 <i>.2</i> 6	104.34	138.17	108.68	-1.4	1.10	157.66	157.61	105.79	138,65	710.22	168.80	105.89	104
uso-Pacific (1465)	155,99	-0.8	155,27	105.01	137.05	125.72	-0.7	1.89	157,22	157.18	105.49	138,26	126.61	162.88	117.26	115
lorth America (625)	185.49	-0.4	184.62	124.88	163.00	184.75	-0.4	2.73	186.29	188.24	125.02	163,86	185.50	187.68	171.51	168
urope Ex. UK (533)	139.00	+0.7	138.35	93.59	122.15	131,38	+0.6	2.44	138.08	138.04	82.67	121.45	130.62	143.73	112.51	114
Pacific Ex. Japan (245)	241.65	-0.2	240.53	162.71	212.35	225.03	+0.0	2.62	242.02	241.95	182,42	212.86	225.04	245.12	152.70	157
Yorld Ex. US (1651)	157.04	-0.8	156.31	105.73	137.98	128.29	-0.7	1.91	158.26	158.21	106.20	139.18	129.13	162.89	118.51	116
Vorld Ex. UK (1951)	164.73	-0.7	163.97	110.91	144.76	143.27	-0.6	2.05	165,94	165.90	111,35	145.95	144.13	168.66	134,22	131
YURN CJ. ON (1891)	186.42	0.6	165.65	112.05	148.24	148.56	-0.6	2.22	167.46	167,41	112.37	147.27	147.38	170.48	137.29	134
Norld Ex. So. Al. (2109)		-0.1	178.57	120.78	157.65	175.65	-0.6 -0.1	2.78	179.53							
World Ex. Japan (1700)	179.40							218	1/0.03	179.48	120.48	<u> 157.91</u>	175.83	181.67	157.47	154.
he World Index (2169)	166.67	-0.8	165.90	112.21	146.45	147.09	-0.6	2.22	167.73	187.69	112.55	147.51	147.92	170.68	137,32	134.



FINANCIAL TIMES SURVEY

WORLD NUCLEAR INDUSTRY

Wednesday November 17 1993

The future of nuclear electricity is shrouded in deepening uncertainty, writes Michael Smith. It is still

favoured by developing nations in Asia and the Pacific. But in most western

countries, it is bogged down by fears over safety and worries about costs

Need for a crystal ball

IT IS possible, some argue likely, that the nuclear power industry will grow significantly from the base it has established as provider of about 17 per cent of the world's electricity. But even the optimists acknowledge that it is a long term prospect which may take more than half a century

itrend

In the next 10 to 20 years the industry will have to content itself with small annual growths in total capacity and a stable perhaps declining proportion of a faster growing world electricity market.

Before the year 2000, at least, most of the growth will be accounted for by a handful of Asian and east European countries and France.

In most of the rest of the world, nuclear power companies and the companies which build their power stations will struggle to consolidate the gains of the last 40 years in the face of widespread public cynicism about the industry's costs

The legacy of the Three Mile Island accident in the US in 1979 and the much worse Cher-

The next 10 or 20 years will see only small growths in capacity

nobyl disaster of 1986 is that the nuclear industry will have to spend increasing sums of money to make both its existing plants and new stations far safer than would be expected of a unit fired by other fuels.

Nor, in the face of growing pressure on government finances throughout the world, will it be easy for power utilities to gain access to the funds necessary to build nuclear stations as Nuclear Electric of the UK is likely to find in the next two to three years, as it looks for capital to build a second pressurised water reactor station in Suffolk.

extremely wary of committing money to nuclear stations which are far more expensive, and take perhaps twice the time, to build than gas, oil or coal-fired stations.

The markets are concerned about rates of return needed to recover the capital costs and remain sceptical that utilities make enough provision for future decommissioning and reprocessing costs when making estimates about the costs of nuclear power. The undoubted economic

advantage of nuclear stations is that uranium, the raw material needed to fuel them, is cheeper than inputs for virtually all other forms of power and this advantage will grow as resources of coal, oil and gas become scarcer and more expensive.

it was partly for this reason that the World Energy Council, a non-government organisation representing more than 100 countries, predicted in a recent report, Energy For Tomorrow's World, that nuclear power is one of two energy sources most likely to meet electricity demand in the second half of the next century, the other being coal

However the council's prediction is based on the assump-tion that world gas and oil will begin to dry up within 50

years.
That is by no means certain.
The energy industry's critics
believe that oil and gas companies consistently under-estimate reserves as part of an

mate reserves as part of an effort to keep prices high.
Gordon MacKerron, of Sussex University's Science Policy and Research Unit, is among those who believes reserves may last longer. "We are discovering gas four times faster than annual consumption and have done for at least a have done for at least a decade," he points out.

If the long term prospects for

nuclear power are debatable, controversy also surrounds the short term outlook. Latest fig-ures from the International Atomic Energy Authority are that there are 72 nuclear units under construction against an existing world total of about

But some forecasters and

academics argue that this is over-optimistic because some of the plants will not be com-pleted. In addition some of the new plant will replace stations which are being retired. Prospects around the world vary considerably.

ASIA: Japan has the world's largest expansion programme, having set a target of increas ing the proportion of nuclear power in electricity generation from under 30 per cent to 40 per cent, but there are doubts about whether it can achieve

Japan's enthusiasm for nuclear power stems from its lack of natural fuel resources and its experiences from oil price rises. If the plans were met, the current capacity of 35,000 megawatts, supplied by 42 stations, would increase to 75,000MW.

Utilities are acutely conscious, however, of the grow-ing power of the environmen-tal lobby and believe the lack of potential sites for building new plants and the stabilisation of Middle East politics will dampen the government's

Korea, like Japan, is also anxious to diversify from other forms of fuel and is constructing three stations to add to the nine providing 7000MW which are already in operation. Among non-nuclear power countries, the most likely new entrant is Indonesia, but it is unlikely to make a decision before 2002.

China and India provide perhaps the best hope for the industry in the medium to long term, with the construction of nine plants between them already under way, and more likely to follow.

■ AMERICA. Since the Three Mile Island accident there have been no new orders in the US and several projects have been cancelled

However, US companies are Capital markets are at the forefront of technological advances by developing a new generation of safer reac tors and the government is in talks with the industry to ease complications surrounding site

There are hopes of new orders within the next few years. Previous enthusiasm in south America for nuclear power has been dampened by debt problems and is unlikely to revive in the medium term.

WEST EUROPE. With the exception of France, and just possibly the UK, prospects are uniformly bleak. France has eight reactors under construction or planned and the UK's Nuclear Electric has requested

US companies pin their hopes on new designs and easier licensing

planning permission for Size-well C in Suffolk.

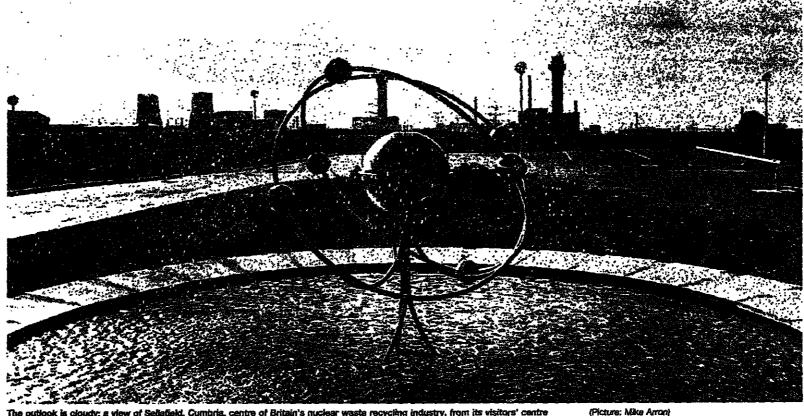
However, even if Nuclear Electric can gain permission, it faces a far more difficult task in getting finance for a project' expected to cost up to £3.5bn. It course through the govern-ment's nuclear review, planned start later this year, and likely to consider whether fur-ther nuclear power stations are

Most of the rest of western Europe has imposed moratoria on nuclear power. Optimists place their hopes of revival in Finland - even though its par-liament recently turned down plans for a fifth reactor - and in Italy which closed its nuclear stations after Chernobyl but may consider new stations if safety improves.

There are also grounds for hope that Sweden may not end up being as anti-nuclear as it has planned. Sweden has a policy of phasing out nuclear energy but nearly half of its electricity come from nuclear power and efforts to replace this are progressing slowly.

German prospects look poor amid difficulties of reaching a consensus on nuclear power.

☐ CONTINUED ON PAGE IV



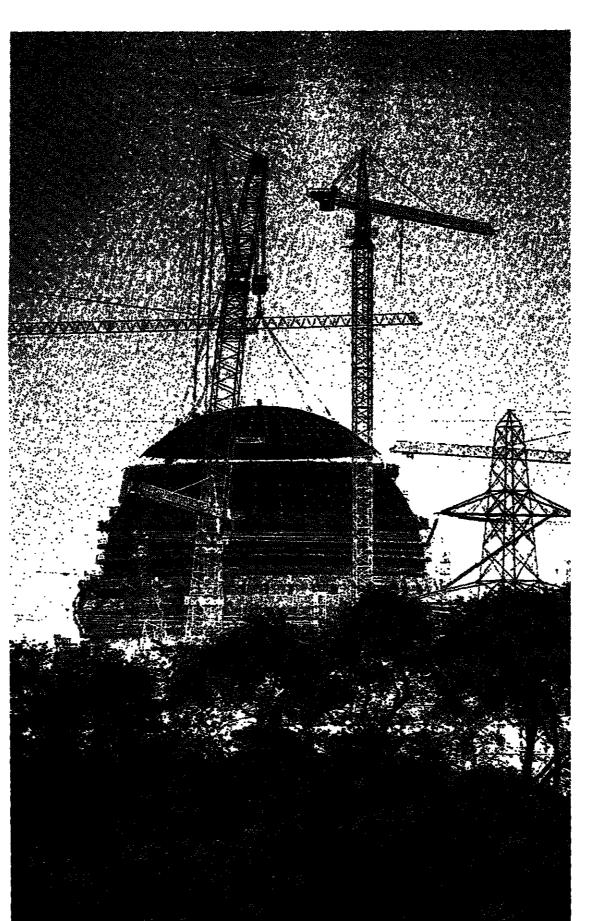
IN THIS SURVEY □ DEVELOPING ASIA, led

by China, South Korez and Indonesia, is the world's only growth market; RAYMOND SERO of Westinghouse talks about short and long-term prospects

□ WESTERN EUROPE's projects, except in France, are bogged down: JOSCHKA FISCHER, German anti-nuclea politician, says the end is nigh; WASTE poses a deepening challenge; SOVIET power sector heirs soldier on PAGE (V

□ REACTORS of today and tomorrow – a revis of the latest state of technology; JAPAN'S expansion plans are

☐ CHERNOBYL seven years after the world's profile of ROGER HAYES, director-general of the British Nuclear Industries "PAGE VI



One day, all power stations will be made this way. (On budget and ahead of

schedule.)

Ar Sizewell in Suffolk, Britain's first Pressurised Water Reactor is presently under construction. It's one of the biggest engineering projects ever commissioned in Britain, involving 115 British companies and employing 4,500 people on site. What's more, it's both on budget and well ahead of schedule (to begin generating the first electricity in 1994).

The company responsible for the Sizewell B project is Nuclear Electric plc. We own and run the twelve nuclear power stations in England and Wales, producing well over one fifth of the country's electricity.

Since being formed in 1990, we have performed rather well, with the last twelve months showing nothing but continued improvement.

Output is up, productivity is up and unit production costs are down.

The new addition of Sizewell B to our country's generating capacity will help ensure a balanced energy supply well into the next century. That's because it's no ordinary power station. It's the shape of things to come.



Nuclear Electric's power stations in England and Wales. 1. Wylfa 2. Heysham 1&2 3. Hartlepool 4. Sizewell A&B 5. Bradwell 6. Dungeness A&B 7. Hinkley Point

A&B 8. Oldbury-on-Severn 9. Trawsfynydd. If you would like to visit a

Nuclear

nuclear power station, or would like more information, write to: Peter Haslam, Nuclear Electric plc, 123 Pall Mall, London SWIY 5EA.

China, Korea lead the pack

CHINA, South Korea and Indonesia are starting to emerge as the countries in Asia which will depend most on electricity from nuclear power stations

Taiwan, which also has strong leanings to nuclear power, may become bogged down in political and environmental wrangles.

■ SOUTH KOREA still qualifies technically as a developing country under World Bank and Asian Development Bank criteria, but this is fast changing as its economy starts to mirror that of Japan and as its electricity supply programme approaches Europe's typical capacity level of one kilowatt per head of population.

The state-controlled Korea Electric Power Company, with its near monopoly, plans to add 27,805MW in new capacity between now and 2001, says Kepco. The national plan calls for another 10,000MW between 2001 and 2006. This means 37,000MW of new power over the next 13 years on top of the present 24,120MW.

The nuclear programme has advanced rapidly, largely because of Korea's dependence on imported fossil fuel to power its grid and its industries. Like Japan and Taiwan, it took the Middle East oil price crisis to boost the nuclear programme, led initially by US Westinghouse and General Electric technology and, more

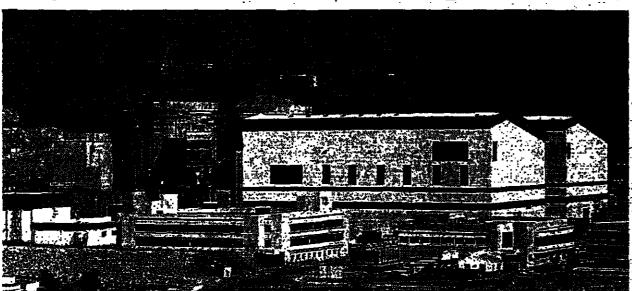
Middle East oil crises boosted Korea's nuclear expansion programme

recently. Framatome of France. GEC of the UK and Atomic Energy of Canada. At the end of 1992, Korea's

nuclear capacity stood at 36 per cent of the national mix; 17.5 per cent was coal; 22.7 per cent oil; 12.1 per cent liquefied natural gas; and 5,969MW (10.2 per cent') consisted of hydro and pumped storage.

The anticipated power plant construction bill between now and 2006 is estimated at \$36bn. Oil, the dominant fuel in 1970 at 76 per cent - will have been

■ CHINA last year commissioned its first nuclear power station, a 300MW pressurised water reactor at Qinshan, southwest of Shanghai. This autumn, the first of two 950MW owr units, built at Daya Bay north of Hong Kong by the Anglo-French consor-



Days Bay power station, in China: 11 more pignts are planned by 2003, building up to more than 11,000MW of cape

tium of Framatome and GEC Alsthom, began generating electricity, 70 per cent of which will be distributed by Hong Kong's private sector utility China Light & Power. The second unit starts up next year. The project is significant as the largest joint-venture of any

type carried out with China being 75 per cent owned by the Chinese government and 25 per cent by the CLP. The plant is operated by the Guangdong Nuclear Power Joint Venture

China's nuclear authorities, grouped mainly under the China Nuclear Electric Energy Industry Company, say they plan a further 11 power stations by 2003. Two are earmarked for the Dava Bay region, though no firm negotiations have yet taken place.

Four 1.000MW reactors are planned for Dongping, Given their proposed size, they will western-supplied. Two 1,000MW reactors, possibly Russian-suppled, are being considered for Liaoning. The Qinshan complex will see two new domestically supplied reactors, each of 600MW, reflecting China's determination to develop its own nuclear technology. These proposals point to a

Chinese nuclear power capability of 11.312MW by the second half of the first decade of the next century. This will be a small but significant proportion of its overall capacity, now 180,000MW, of which 70 per cent is coal-fired and the rest mostly hydroelectric. China's overall plans are to add 15,000MW of capacity a year through the end of the century

INDONESIA has only 30MW

installed nuclear capacity projections OECD area (net-GWe) 200 100 --

of experimental nuclear capac ity at Serpong, Java, But the government wants to build a commercial capability of 7,000MW, starting with several 600MW reactors to be built on the Muria Peninsula. The country has scarcely 10,000MW of conventional capacity, and with oil reserves running down it is diversifying quickly into coal, natural gas and nuclear.

1986 91 92 x. Nuclear Emitty Agency

An evaluation by the New Japan Engineering Consultants group should be com-pleted by the end of this year, with the first nuclear projects going to tender by 1995. The tendering will take several years and, say Energy Ministry officials, first power could be produced by 2005 if the programme were maintained. Indonesia's PLN state utility, the National Atomic Energy

Agency (BATAN) and the

energy ministry are examing

designs from General Electric Mitsubishi Heavy Industries/ Westinghouse/Atomic Energy of Canada and Nuclear Powe International/Framatome, No. decision has been made on the choice of reactor type.

Elsewhere in developing Asia the picture is less certain.

Indonesia plans 7,000MW with the first projects tendering by 1995

TAIWAN hopes to double capacity to 30,000MW by 2000. Nuclear capacity at present is about 30 per cent of total capacity and is located at three sites around the island. Plans to add at least 2,000MW at a proposed fourth site are going too slowly, say impatient offi■ Interview: RAYMOND SERO of Westingho

In the thick of a bat for a Taiwan order

ALONG with many executives in the nuclear power plant dustry, Mr Raymond Sero is feverishly putting the finishing touches to complex proposals to supply equipment for Taiwan's fourth pair of nuclear power stations.

The hotly-contested Lungmen project has been shelved and revived several times in recent years, and in April suffered a further delay when Taipower changed the terms at the 11th hour. Now a new ne for bids, December 8, is looming.

Mr Sero, Westinghouse Kleetric's general manager for international nuclear business, explains why the Taiwan project is generating such activity at the US company and its rival nuclear plant suppliers in the US, Europe and Japan: "It's the only big new nuclear plant project that's

Bids are due in early Decem-

ber, but it is feared that the

anti-nuclear lobby may hold

sway with the project being

sbelved again, as happened in

the late 1980s. This will disap-

point Nuclear Electric of the

UK which is partnered with

offer a duplicate of its Sizewell

■ THAILAND'S Electricity

Generating Authority this month was pressed by the

World Bank to abandon its

nuclear plans as too costly.

its efforts on natural sas and

to consider nuclear only as a

last option. Like many other

countries, the Authority is fac-

ing demand pressures, and

plans to boost capacity to

20,000MW from its present

11,000MW. Its present nuclear

■ INDIA'S and PAKISTAN'S

plans remain more problemati-

cal given that neither country

has signed the Non-Prolifera-

tion Treaty of the Internationa

Atomic Energy Agency. Chi-

nese engineers plan to build a 300MW reactor in Pakistan,

which would be that country's

second, after an old 180MW

Canadian General Electric

reactor in Karachi, for which

parts are no longer available

through conventional sources.

nuclear, most of it home

India, with 1,700MW of

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plans are at an early stage.

Thailand was urged to incre

However, in suite of the nan city of new nuclear plant work worldwide, and the long delays and obstacles to be surmounted in winning orders, Mr Sero says he is "cantiously optimistic" about prospects for Westinghouse's nuclear business, the world's largest with overall annual sales of \$1bn.

This confidence is underpin ned by Westinghouse's long history in the nuclear industry. The company pioneered e commercial nuclear power industry more than 30 years ago. It has supplied 51 of the 110 nuclear plants operating in the US, and more than 170 of the world's 410 light water reactors (LWRs, which include boiling water reactors) have either been supplied by Westinghouse or based on its

Helped by having such a big installed base, Westinghouse is also the world's largest supplier of nuclear fuel and services. In fuel, it continues to ahead of the competition, says Mr Sero, while in the instrumentation and control (I&C) business it claims the only fully digital system for

grown, still plans to boost this Recent contracts illustrate to 10,000MW, but development how Westinghouse is using its is at a low ebb, given western strengths at a time when new nuclear plants are off the nearrefusal to supply technology term political agenda in two D Frank Gray is editor of formerly crucial markets, the US and virtually all western Power in Asia, a FT energy

schedule to complete the I&C contract ready for next year's start up of the Sizewell B plant in Suffolk - having taken over from a French supplier whose contract was cancelled in 1991. In Korea, it is supplying nuclear fuel rods after a decision to give the business to a rival supplier

In the Czech Republic, Westinghouse is hard at work on important contracts to sup-ply the I&C system and nuclear fuel for the partiallycompleted Temelin nuclear station. The contracts, finally clinched in May, were the largest yet awarded for safety and

Raymond Sero: cautious optimism bred of a long nuclear involvement

of Soviet-designed reactors. Mr Sero says he is confident that, with more Temelin-type contracts being awarded and new plant activity in Asia. Westinghouse will be able to announce some significant new contracts in the next two to three years.

In Asia, there are potential opportunities over the next two to three years in Korea. Japan, Indonesia – and also China where Westinghouse is participating with partners from Spain and Italy on preparing proposals for new plants. And there are further

opportunities in Taiwan. But Mr Sero stresses that doned hope of winning new plant orders in the US and Europe, even if there is no immediate business. A key development here could be Westinghouse's participation in a US-government supported project to spend \$158m over the next five years on detailed design of the AP600, a standared, simplified 600MW PWR. The involvement of the

Department of Energy and of

16 leading US utilities in the

dence for nuclear po for Westinghouse. B also reveals that the has had several dis with European utilitie the AP600 programma In the I&C husiness. sees opportunities de

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from decisions such made recently by t which is lifting a more on its three most near plete nuclear plants. In services, he Westinghouse has to m its market share in er business but look to go presence elsewhere. Because it is predon

a PWR supplier, PWR st tend to form the core service work. But com is tough in this sector service business, so We house wants to expan other technologies who

Mr Sero says oppor include the UK, where Nu Electric wants to subc "outage" work on its Ma and advanced gas cooled tors, and servicing for bo water reactors where it done well in the US thron subsidiary and could exp into Taiwan and Europe. is concerned by the anti-

Hardly surprisingly. Mr 8 clear lobby. The fact i entire countries can take anti-nuclear stance, influencing neighbour countries, "bothers us,"

But, along with many in industry, he believes suppliers have to continue to educate countries and address people fears and concerns. Two key factors stand in

nuclear power's favour, he says: first, concerns over the effects on the environment of burning fossil fuels for power generation will enhance nuclear's standing because it is emission-free.

Secondly, he believes that, in the US the Government is recognizing the need to address the issue of nuclear waste, and how it should be stored, controlled and haudled. This, he says, would give confidence to people in the US, for whom nuclear waste remains a concern even if polls suggest a majority believe clear power should have a

Andrew Baxter

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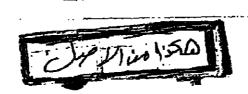
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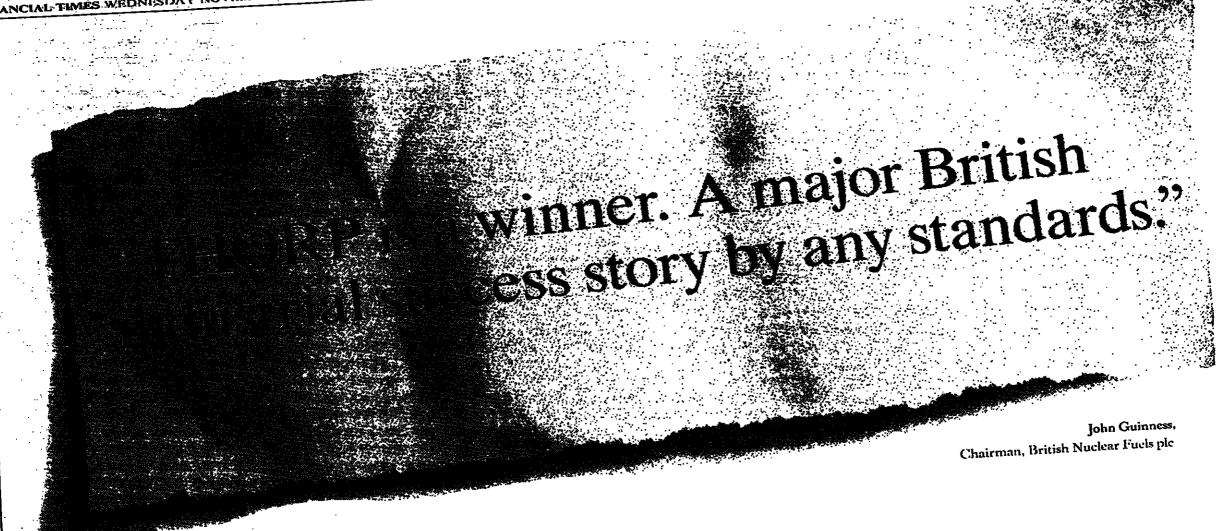
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FINANCIAL TIMES WEDNESDAY NOVEMBER 17 1993



But don't just take our word for it.

ON MONDAY 28 JUNE 1993, IN AN AMENDMENT TO A LIBERAL. DEMOCRAT MOTION, THE PRIME MINISTER JOHN MAJOR AND FIVE SENIOR CABINET MINISTERS TABLED THE FOLLOWING:

66 That this House congratulates the management and workforce of British Nuclear Fuels plc on the completion of its high technology Thermal Oxide Reprocessing Plant (THORP) for the reprocessing of spent nuclear fuel at Sellafield; welcomes the 3,000 jobs, mainly in the North-West, which the plant supports; recognises that around 90 per cent of its £1,850 pital cost was spent with British industry; notes that the plant is needed to fulfil the customers' requirements for reprocessing, represented by contracts already won worth £9 billion; recalls that it is a major example of international inward investment which the chairmen of the 10 Japanese nuclear power generators strongly endorsed last week; expresses confidence in the non-proliferation arrangements that underlie the plant's work for all the overseas customers; and, subject to receipt by BNFL of such consents as are required by law, supports the commissioning of the plant at the earliest

. . .

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66 A delay to the start of THORP will lead to 20 per cent unemployment in this area by next December. That would have a devastating effect. The effects of unemployment on the health of our people, their morale, the crime rate, dietary habits, infant mortality, and so on, would likewise be devastating... ??

ANN BENNETT LEADER OF COPELAND BOROUGH COUNCIL

66 If it failed to open that would be an unmitigated disaster for my constituency. The impact would be five times that of the imminent job losses at Rosyth, and the local economy would be devastated. ?? DALE CAMPBELL-SAVOURS

66 We urge you to use your best efforts to remove the obstacles preventing THORP from operating. According to our knowledge, THORP is a safe plant built to modern high technology standards. We could not understand if it was

plagued by further delays. ?? VICE-DIRECTOR OF THE SWISS UTILITY NOR, IN A LETTER TO THE SECRETARY OF STATE FOR THE ENVIRONMENT, JOHN GUMMER

66 Let's be quite clear about this. THORP has been the target for the last nine months of a highly focused, well planned and executed campaign by Friends of the Earth and Greenpeace, both nationally and overseas.

"They are trying hard to disrupt the plans of British and foreign nuclear utilities for the proper, safe and environmentally correct method of handling the spent fuel from nuclear reactors. "The customers for THORP all want it brought into operation;

BNFL are equally anxious to discharge their customers' wishes. Surely that is 'nced' enough in any market place.)) JOHN COLLIER

CHAIRMAN, NUCLEAR ELECTRIC PLC

66 If an early decision is not reached on THORP the crisis we are experiencing in West Cumbria will become a calamity because several thousand BNFL jobs are now threatened. ??

DR JACK CUNNINGHAM SHADOW FOREIGN SECRETARY AND MP FOR COPELAND

66 The GMB believes that the environmental concerns raised in relation to the project have been fully and properly considered. The economic and employment benefits of the project to the country and to the local economy are indisputable. ??

JOHN EDMUNDS

66 The plant has been completed and all those who have seen it have been greatly impressed - not only by the plant but by the commitment of the workforce and its preoccupation with safety. ??

ENERGY MINISTER

66 In conclusion, the Commission is of the opinion that the implementation of the plan for the disposal of radioactive waste from THORP at the Sellafield establishment is not liable, either in normal operation or in the case of an accident of the type and magnitude considered in the General Data. to result in radioactive contumination, significant from the point of view of health, of the water, soil or airspace of another Member State. " THE EUROPEAN COMMISSION

IN ACCORDANCE WITH ARTICLE IF OF THE EURATOM TREATY

66 Having carefully considered ull the comments made by the respondents to this consultation, the inspectorates have concluded that no points of substance have been raised that should cause them to reconsider the terms of the draft authorisations, save for some minor amendments/corrections. "In their judgement, the provisions of the druft authorisations would effectively protect human health, the safety of the food chain, and the environment generally. > 9

SECRETARY OF STATE FOR THE ENVIRONMENT IN A WRITTLE ANSWER REGARDING HMIP'S CONCLUSIONS

66 From the technical point of view I believe THORP has been planned with a high degree of responsibility, and could fulfil a useful role not only in this part of the world but for the nuclear industry worldwide. I hope it is allowed to function. "> 9

66 If THORP has been given a clean bill of health, the Government should honour both its contractual commitments made via BNFL and its moral obligations to the people of West Cumbria. "

LORD INGLEWOOD

66 We have contractual arrangements with BNFL to reprocess about 1,000 tonnes at THORP and much of that 1,000 tonnes is already in the THORP ponds. Scottish Nuclear has been and continues to be strongly supportive for the immediate start-up. "It is our view that delaying THORP is economic madness. It will damage UK plc. " DR ROBIN JEFFREY

CHIEF EXECUTIVE, SCOTTISH NUCLEAR LIMITED

66 THORP is a substantial engineering and export success for this country. It supports some 3,000 jobs and has £9 billionworth of contracts which is a powerful vote of confidence in the plant from people around the world crustomers. "

THE PRIME MINISTER, JOHN MAJOR

66 The West Cumbria Development Agency supports wholeheartedly the commissioning of THORP. On employment grounds alone, the economic necessity of THORP is, in our opinion, proven. "

BARBARA M STEPHENS DIRECTOR OF OPERATIONS, WEST CUMBRIA DEVELOPMENT AGENCY

66 We actually want our plutonium and uranium back. We need the plutonium to fuel the new generation of fast nuclear reactors. And plutonium can also be used to manufacture a nuclear fuel called MOX (mixed oxide fuel) for use in

"It is Jupan's stated policy to generate the power we need for the future by using reprocessed nuclear fuel. >>

THE TEN JAPANESE UTILITIES IN AN ADVEKTISEMENT PLACED IN THE UK NATIONAL PRESS

66 If THORP doesn't go ahead as planned, it will be a blow to Britain's standing in world markets.

"If it were decided not to go ahead on grounds of pollution, that might be understood, but there would undoubtedly be a public outery and an outery from the business community, if, after all these years and all that money, a decision not to go ahead was taken on other grounds. ?? SIR IAN WRIGGLESWORTH

CHAIRMAN, THE NORTHERN REGION OF THE CH



BRITISH NUCLEAR FUELS

British Nuclear Fuels plc, Risley. Warrington, Cheshire WA3 6AS, England.

of the century. Only in Britain, where Nuclear Electric has asked to build Sizewell C after completing Sizewell B, and in Finland. where Parliament has just voted down a plan to build a fifth reactor, are there signs of potential activity. Elsewhere, construction is at a standstill. In Belgium there has been a

moratorium since 1989 and new demand is being met by gas-fired stations. In Spain, the 1984 moratorium, which left five stations unfinished, continues until 2000. A policy of no new construction has applied in the Netherlands tince the 1986 Chernobyl disaster. In Germany, an extremely complex legal situation has kept a completed reactor at Mulheim-Karlich off-line since 1988, although its owners -RWE - successfully sued the

local government for damages. In Switzerland the 320MW BKW Mühleberg reactor is to be expanded to 352MW by 2000. but this hardly constitutes much of an advance. In Sweden, official policy still insists on the 1983 referendum decision to phase out nuclear. although the policy had been modified to ensure that functioning reactors would not be shut until there were alterna-

tive sources of power. The result is that OECD Europe will only see much advance on its 118.8GW of existing nuclear capacity through continuing French expansion Here four new 1.400MW reactors are under

THE question of how to dispose of

fronting UK politicians as they pre-

pare to debate the future of nuclear

The UK has not resolved the issues

of how to treat the waste from its

nuclear power stations, or where to

The uncertainties about the costs -

try three years ago. They will haunt

also the government's forthcoming

At the heart of the question are

some of the thorniest environmental

decisions facing the government.

Countries who are signatories to the

international London Dumping Con-

vention voted last week to ban per-

manently dumping of radioactive waste at sea. The UK has 100 days to

lecide whether to opt out and incur

The UK has already agreed to a

15-vear temporary ban under a sepa-

rate treaty, the Paris and Oslo con-

vention, but reserved the right to

start dumping again at that point. However, if it abides by the LDC

vote, it must look more urgently at

disposal routes on land. But there too

international criticis

it faces tough decisions.

come to the end of their lives.

ulating nuclear waste is con-

Western Europe (except France) is at an impasse, writes Chris Cragg

Ashes without a phoenix

Four further sites are now

Yet the French programme has not been without its problems. Steam generators have had to be replaced in phases in the 900MW series of reactors, while a generic design fault has been found in the 1,300MW

Equally, Electricité de France's 1.140MW commercial scale fast breeder reactor -Superphénix - has been off-line since 1990. It may now be restarted at 50 per cent of its nominal capacity, primarily as a nuclear waste incinerator.

All this takes place against a general assumption that 21st century Europe will need more nuclear capacity to meet the

Britain's N-plants have been performing well, but young engineers still shrink from the industry

challenges of carbon dioxide output. Such an assumption has been much discussed recently because in the absence of further orders the industry will slowly wither away. Equally, it is difficult to attract young engineers.

The dilemma is illustrated by the situation in Nuclear Electric in the UK. Compared with the nuclear section of the old Central Electricity Generating Board in pre-privatisation days, Nuclear Electric has been doing astonishingly well. It is finishing its first PWR reactor

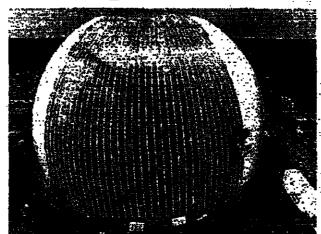
line between 1995 and 1998. at Sizewell B eight months ahead of schedule and on budget and the new reactor should be on-line far earlier than the target of February 1995.

Yet as important has been the improvement in performance of its AGR reactors. In 1989-90, these produced 21.7 terawatt hours and were widely held in contempt. However by 1992-93, the output had improved to 34.6 twh.

The key here has been improved load factor, the amount of time these high capital cost reactors are on-line. While critics may say that its competitive position is unfair due to the non-fossil-fuel levy, or wonder why the situation was so bad under the old CEGB, the fact remains that the UK's nuclear power sector is a good deal better run now than it was four years ago.

Yet there are many problems ahead. Of Nuclear Electric's 9,029MW capacity, excluding Sizewell B, 3,349MW consists of elderly Magnox reactors. These are approaching the end of ing successful safety inspections, many of these could continue running for some time, the expenditure involved as a result of safety reviews tends to increase the cost of operat-

Sizewell B. at 1.200MW. consequently does not compensate for the impending, if phased, closure of the Magnox capacity. Even with a continuing vement in the efficiency of its AGRs, Nuclear Electric is still left with a fall in its capac-



Ahead of time and budget: Sizewell B takes shape (Ashley Ashwood)

sary finance. Being in the pub-

lic sector, constrained govern-

ment finances make it unlikely

that funding will be made

available. To build Sizewell C

necessarily requires Nuclear

Electric to be privatised or at

least allowed to appeal for pri-

vate funds. But even if this

eventually happens the com-

pany may have difficulty per-

suading a reluctant City to

take on the necessary liabili-

ties. It was these liabilities that

prevented the nuclear industry

from being privatised in the

There are frequent exhorta-

tions from government minis-

ters, both in the UK and else-

ity, and thus of market share, towards 2000. Unless, of course, it builds Sizewell C.

The arguments about Size well C encapsulate many of the problems facing the Western European nuclear industry. The success of the French nuclear programme basically lay in the French government's decision to go nuclear as a result of perceived energy shortages. The French built their plant in series. The same design and construction teams built similar plant all over the country. One technical argusame design and construction people will do the job. If a decision is postponed, or avoided, that newly acquired expertise

where, that the proportion of nuclear should rise, or at minimum stay level, for strategic Yet Nuclear Electric's ability reasons. Yet the intellectual tide, in a period of relatively to continue its new PWR series depends on raising the neces-

first place.

The market, by contrast, is opening out to competition all over Europe, with the thrust towards "third party access" to national and international electricity grids. Contractual insecurity is growing as a result. It was no accident that in Britain's "dash for gas" the power technology chosen was gas fired because these stations could be built very rapidly and

nuclear. State involvement is

frequently necessary to ease the entry of private capital.

Capital costs are high and the

nuclear time horizon is long.

at low capital cost. Strategic energy planners for the 21st century can make as many prophecies as they like about the necessity of a growing role for nuclear. The problem is that the longer the Euro pean moratorium lasts, the more the French alone will dominate its revival, if it can be revived at all.

Equally, the nuclear gen ing industry is still tied into the idea, prevalent in the 1960s and 1970s, that very cheap elec tricity could be attained by closing the nuclear fuel cycle This meant reprocessing with all its attendant public hostility, rather than final disposal spent fuel. Yet reprocessing fuel is essentially irrelevant to generating electricity from nuclear power in fission read tors. The industry supports reprocessing at Sellafield and Cap La Hague because it has marched too far down the reprocessing path and it has become impossible to retrieve its spent fuel rods from the storage ponds at Sellafield

But if the industry is to survive and grow in Western Europe, the nettle of long term waste disposal must be ☐ Chris Cragg is Editor of FT

decide about Thorp, after weighing

■ Profile: JOSCHKA FISCHER

The road block is a Green

MR JOSCHKA FISCHER is a became apparent that the govcheerful, rotund and expansive figure, with tousled hair; and a Tshirt worn under an open collar: articulate, self-confident, and laid-back. He is the archetypal child of the 1960s in middle age.

He is also the man who is holding Germany's powerful nuclear energy industry to ransom. His hostage is the DM1bm nuclear fuel-element plant being built at Hanau in the se by Siemens, the country's foremost nuclear power station contractor.

Mr Fischer is a former world revolutionary and Frankfurt taxi driver who is now the environment minister of Hesse. He is deputy premier of the state in a coalition between the Social Democratic Party (SPD) and his own Green Party.

The German nuclear power generators, led by the Big Three electricity utilities, Bayernwerk, RWE and Veba's Preussen Elektra, are required by German law to re-use then nuclear waste to the maximum possible extent, via re-process ing. And Hansu is the critical element – and the weak link – in that recycling process.

As environment minister, Mr Fischer has simply prevented the plant receiving the necessary planning permission to come into operation. The nuclear waste produced by Germany's 20 atomic power stations is being turned into plutonium in France and Aritain, and then has nowhere to go. It is rapidly becoming a severe embarrassme

"What we are doing has nothing to do with abandoning nuclear energy," Mr Fischer "It must be a factory which is safe, and corresponds to the law. Just like a car. it needs to be licensed.

Mr Fischer is undoubtedly being disingenuous. He is com-pletely committed to the goal of getting Germany to abandon nuclear power generation, as soon as may reasonably be achieved

He also knows that nuclear waste disposal is the weak link in the nuclear chain. "Everyone must understand that things have changed here in Germany," he says. "Since the 1970s and 1980s, things have been moving. Abandoning nuclear power is now inevita ble. It is no longer a question of if, but merely of when and

how we get out."

Mr Fischer led the Green Party delegation in the ill-fated attempt over the past year to negotiate a cross-party "energy ensus" over the future of both the nuclear industry, and the German coal mines. And ernment and the power generators were determined to keep the nuclear option open.

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The result we almost had. [promoted by Mr Gerhard Schröder, the prime minister of Lower Saxonyl was very bad," he says. "It would have been a capitulation." It would have meant allowing the present generation of atomic power stations to have an operating life of around 40 years, far longer than the Greens are prepared to accept. It would also have meant allowing a new generation reactor to be built "It is a mystery to me why this was a compromise," he

says. "After 2010 or 2015; this new generation would then been brought in There would have been no abandonment of nuclear power." Instead, the collapse of the

talks at the end of October has left Germany with a de facto moratorium on the future of nuclear energy. And the next



chico Fischer: the leave is not whether we drop nuclear but when

decisive event will be the October 1994 elections for the new Bundestag, with Mr Fischer's party firmly aiming for a share in a SPED-led coalition.

"There would be no government participation (by the Greens) with a continuation of nuclear energy," Mr Fischer says bluntly. "What is negotiable is only how and when we get out."

His ambitions are certainly not out of the question. The Greens are doing better from the current mood of disenchantment in Germany with all established politicians and parties than anyone else including the much-feared splinter groups of the far right. They won almost 14 per cent of the vote in the most recent Hamburg city elections. If they can do that across the country, they must have a very good chance of forming a red-green coalition with the SPD.

As far as the German nuclear power industry is con-cerned. Mr Fischer's skirmish over the Hanau fuel plant is merely a foretaste of the full-scale war to come if he emerges as a king-maker in the next Bonn coalition.

Quentin Peel

UK wrestles with the waste dilemma, says Bronwen Maddox

At a strategic crossroads

put the scrapped stations when they to the £2.89bn Thorp reprocessing plant at Sellafield in Cumbria, which will treat used or "spent" fuel. In the and about who will pay - scuppered plans to privatise the nuclear indusnext few years they must also decide whether to build a long term storage

> To environmentalists, the problems of disposing of nuclear waste are one of the most powerful arguments against nuclear power. Mr Simon Roberts, energy campaigner at Friends of the Earth, the "green' pressure group, says: "what right have we to leave this contamination for future generations?" Greenpeace, one of the UK's largest environmental pressure groups, has also challenged the government in court on its

dump in the rocks under Sellafield.

support for Thorp. Nuclear waste is normally divided into three categories by the intensity of the emitted radiation. Low-level waste - more than 90 per cent of waste in the UK – includes operators protective clothing, packaging and exposed to low doses of radiation. Intermediate level waste typically

sists of used fuel rods from reactors. Much of the UK's waste has been generated by the military side of the nuclear industry, from development of submarines and missiles. But within 15 years it will have to begin handling the waste from decom sioning the ageing Magnox reactors. Some of the waste is bulky, particu-

Scottish Nuclear backs Thorp but has opted for dry storage for some of its spent fuel

larly the large steam generators or boilers from these plants, and eventually the concrete structures themselves, one reason behind Britain's preference for sea dumping.

At the moment, the UK's low-level waste is stored at ground-level at Drigg, in Cumbria, and intermediate level waste is stored around the country at the sites where it has been duced. High-level waste is sent to government-owned British whether they will give the go-ahead includes metal scraps, sludges and Nuclear Fuels' plant at Sellafield

where it is reprocessed and stored. However Nirex, the government's Nuclear Industry Radioactive Waste Executive, which has been established to provide long-term storage, is investigating whether a permanent repository for low and medium level waste could be carved out of the rocks below Sellafield.

This summer, the government's Radioactive Waste Management Advisory Committee voiced reservations about the choice of site. Part of its concern is that preliminary tests showed upward pressure in the underground water table at that point, suggesting a risk that radioactivity could enter the water courses.

RWMAC also warned that because of the need for further geological tests, it was unlikely that the repository would be ready before 2010, ee years behind schedule, even if all concerns were adequately answered. Nirex is due soon to apply for planning permission for a small underground laboratory to begin Meanwhile, the government must

up responses to the recent public con-sultation, the second in the plant's history. Thorp, which also has orders from Japanese and German utilities, is designed to separate reusable ura nium and plutonium from used nuclear fuel. leaving a smaller amount of true waste. BNFL, which has spent more than 10 years building the plant, says that all questions were answered by the 1977 Windscale inquiry which gave the go-ahead for Thorp's construction. However, the plant's critics, nota-

bly Greenpeace, argue that Thorp's peration will increase the amount of plutonium in the world and so contribute to the risk of proliferation of nuclear weapons. They add that dry storage – temporary storage of unseparated spent fuel for several decades is emerging as a cheaper alterna-

Scottish Nuclear, the nuclear gener ator, has already amnounced that it is opting for dry storage for some of its spent fuel, although it adds that it believes the nuclear industry would suffer if Thorp did not go ahead. Many of these choices depend on comparison of the costs of the different options. Some of those costs are not yet clear - as in Nirex's case.

Others depend greatly on policy deci-

of the Magnox decommissioning.

WIDESPREAD alarm over the safety of Soviet-designed reactors in eastern Europe has not prevented a resumption of expansion plans by post-Soviet Russia and the

In the Ukraine a recent parliamentary vote not only facilitated the resumption of construction at three sites, but also per mitted continued operation at Chernobyl, site of the 1986 disaster.

Ukraine's decision is is understandable. It imports half its primary energy requirements, mostly from Russia. Since it gained its independence, the cost of that energy has escalated because Russia is no longer prepared to sell gas and oil at subsidised prices, given its own desperation for hard currency earnings. Ukraine now owes Rbs600bn for gas, which is used extensively in power generation, with the pros-pect of paying full world prices from Janu-

Ukraine is therefore forced to increase its dependence on nuclear because it cannot afford to buy alternative sources, such as the plentiful Russian gas. Current generation is dominated by thermal plants (66 per cent) while nuclear accounts for 27 per cent of generation.

The Ukraine's decision to continue operating units at Chernobyl aroused particular dismay because the reactors are the RBMK type, considered the most unsafe. However, the parliament also voted to complete the partly built 1,000MW third Russia and Ukraine make the best of their plants despite doubts on safety, says John Leslie

Reluctant heirs to the Soviet legacy

generation WWER units at the Khmelnit-ski, Rovno and Zaporozhe plants. The Ukrainians still have to decide what to do with their waste as Russia seems no longer willing to handle it on a long-term

The WWER units are generally recognised as being much safer although they have often been tarred with the same brush as the RBMK, mainly because of the state of the Kozloduy plant in Bulgaria. While western technology can greatly improve the safety of the plants concerned, there is little evidence that the Ukrainlans or the Russians are looking for

new western reactors. This was compounded when an International Atomic Energy Agency (IAEA) panel reported there was no reason for the closure of RBMKs at five sites in Russia and Lithuania, provided earlier IAEA safety recommendations were imple-

Such statements reinforce Russia's decision to press on with its own nuclear programme, placed on hold after Chernobyl, and to rely almost entirely on home grown

reactors. Russia intends to increase nucle-ar's share of generation from 11.8 per cent to 30 per cent by the year 2030.

A main motive for the Russians is their need to maximise oil and gas exports for urgently required hard currency earnings. Given the danger that because of Russia's declining oil sector it may change to

The Russians are also persisting with

There is still plenty for western utilities to do in raising safety and efficiency in CIS and east European reactors

a net importer of crude from a major exporter, the emphasis on gas exports is growing. As gas is also used extensively for electricity generation, the Russians are likely to prefer growth in nuclear genera-

The Russian programme envisages the completion and operation of three new units at Kalinin, Kursk and Balakovo by 1997 as well as two new units at Balakovo by 2005 and a further 20 reactors by 2010. The programme is based largely on devel-

opment of various new medium-sized reac-ing, and excludes the 26 RBMK reactors tor designs.

fast breeder reactors, developing a larger version of the reactors now operating at Beloyarsk and at Shevchenko in Kazakh-

Although the main expansion pro-

tion rather than gas-fired plant in order to maximise hard currency exports.

grammes in the region are intending to utilise domestic technology, there is still plenty of work for western utilities in enhancing safety and efficiency at existing plant. This is particularly the case as more

One key step was the establishment of the G-7 multilateral fund to improve safety at plants in eastern Europe, which is being

funds seem to be flowing in the region's

administered by the EBRD. The fund is also only designed for the 32 reactors deemed safe enough for upgrad-

currently operating in the region, as well as equipment designed to prolong the operating life of a plant. A timetable for closure has to be therefore agreed before a grant is made - a difficult business for a country such as Bulgaria which relies on its sole nuclear plant at Kozloduy for 40 per cent of its electricity. In order to obtain a grant of Ecu24m from the fund the Bulgarians had to agree to close down two of the older units at the plant.

Another important breakthrough came in the summer when the EC announced that for the first time teams of western experts were to carry out long-term safety work at six Russian and Ukrainian sites. The agreement was reached because the Russians and Ukrainians offered suitable legal indemnity in the event of accidents. The agreement is expected to add a further Ecusum to the Ecusum the EC has spent on nuclear safety in Russia and Ukraine so far under the TACIS programme. Compa-nies across the Community, including EdF, Scottish Nuclear, Tractabel, Nuclear Electric and RWE have obtained contracts

under the programme.

Elsewhere in the region, Western operators have had some joy in the Czech Republic and Slovakia. Both countries currently operate one nuclear plant each but, after much indecision, the Czechs announced in March that they would complete two units on the country's second plant at Temelin. Westinghouse was employed as the principal contractor for safety and control equipment.

The decision comes in spite of a significant decline in demand for power in recent years and assumes, despite evidence to the contrary, that demand will grow by 2 per ceut a year from 1995. Westinghouse hones that its modernisation of the WWER 1,000MW reactors at Temelin will give it prime position when other countries embark on similar schemes.

Meanwhile, the Czech Republic's former partner Slovakia has embarked upon an even more controversial course. The Slovaks estimate that it will cost \$780m to complete two units at the partially constructed Mochovce plant and have held negotiations with western companies over the formation of a joint venture to com-plete the plant which is being lined up for privatisation. Extensive talks have been eld with Bayernwerk and EdF and the EBRD is said to have been approached over funding.

□ John Lestie is Editor of FT East Euro

Our Year after year, Point Record Lepreau is tor world class Itself performer. NB POWER

The future remains clouded

Continued from Page I

The environmental lobby is powerful, one reason why none of the nuclear reactors in the former East Germany are in

■ EAST EUROPE. Russia has revived plans for significant expansion, aiming to increase nuclear's share from 12 per cent to 30 per cent of the electricity generation by 2030. Although it has plentiful supplies of oil and gas it needs to export these for hard currency.

But the same lack of resources may force a severe scaling down of the plans which involve the construction of more than 20 reactors. At the very least Russia is likely to need World Bank help if it is

In the Ukraine, unable and

unwilling to buy Russian gas, the parliament recently voted to resume construction of three nuclear plants where work had stopped and the continued operation of Chernobyl. That worries the rest of the world nuclear industry which

fears that another accident like

1986, whether at Chernobyl or

anywhere else, will put plans for increasing expansion off for years and possibly for ever. The need to reduce the likelihood of a further disaster prompted the industry in 1989 to form the World Association of Nuclear Operators.

Since then the association has helped facilitate a series of exchanges between eastern and western nuclear scientists. Mr Rêmy Carle, chairman of the WANO governing board Electricité de France, told the

Uranium Institute annual symposium in London recently that avoldance of accidents was one of four lines of attack the industry should pursue to help bring about a revival. The other three were resolv ing problems over waste, devel-

oping "even safer" power sta-tions and fuel designs, and trying to make nuclear power accepted as a "perfectly normal energy resource". Providing these problems are tackled, he says, the industry is set for recovery. "The nuclear industry will take off again when there is a strong need for it."

That implies what many other people in the industry believe: that conditions for growth depend on the world economy, supplies of other fuels and other factors over which the nuclear industry has little control.

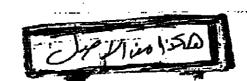
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SIX different reactor types are generating electricity commercially around the world but one, the pressurised water reactor originally developed in the US, dominates. the international nuclear industry. PWRs are operating in 20 countries and generate more than 60 per cent of the world's

nuclear electricity. The PWR uses ordinary water as both coolant and moderator. (The coolant carries heat from the reactor core to the generator; the moderator slows down the neutrons produced in nuclear flasion: sufficiently to give them a good chance of bitting another uranium atom in the fuel, so carrying on the chain reaction.)

In the PWR, the hot water is pumped under high pressure (to prevent boiling) to the generator, which raises steam in a separate circuit. This distinguishes the PWR from its closest cousin, the boiling water reactor. In the BWR (boiling water reactor) the water is allowed to boil in the reactor circuit and raise steam directly without the need for a heat exchanger. But the advantage of a simpler circuit design is offset by the requirement for additional

shielding of the generating system.
The third type of water cooled and moderated reactor is the Canadian CANDU design. It uses heavy water (D,0) instead of the light water (H,O) in the PWR and BWR. Because heavy water is a more effi-cient moderator, the CANDU can run on uneuriched uranium dioxide, while the PWR and BWR require enriched fuel. On the other hand, it depends on a reliable cheap supply of heavy water.

in contrast, the reactor types developed and built in the UK - until a PWR was chosen for Sizewell B - are cooled by carbon dioxide gas and moderated by graphite. The first generation, known as

MAGNOX reactors after the magnesium alloy used to encase the uranium fuel, were built between 1956 and 1971.

Their successors, the advanced gascooled reactors, were designed to operate at higher temperature and pressure, in order to achieve better thermal efficiency and power density. The intention was to reduce capital and running costs, but the more complex design was plagued with engineering problems which delayed con-

struction and commissioning of AGRs. The sixth reactor type is the Soviet water-cooled graphite-moderated RBMK, of which the most notorious example is Chernobyl. Western experts believe the RBMK is inherently unsafe because the reactor design is unstable at low power.

The industry has recently stopped using the term 'inherently safe' for its next range of reactors

This feature, combined with human stupidity, led to the 1986 Chernobyl incident. in the aftermath of the Three Mile Island (1979) and Chernobyl accidents, the nuclear industry talked a lot about designing a new generation of "inherently safe" reactors which would shut themselves down safely if anything went seriously wrong, without relying on human operators or added mechanical devices. Examples of such designs include Sweden's PIUS (Process Inherent Ultimately Safe) and the UK's SIR (Safe Integral Reactor).

However, as the Institution of Electrical Engineers points out in an excellent new booklet on nuclear power published this month*, the industry has recently stopped using the term "inherently safe" for its next generation of reactors "on the grounds that it is misleading". The words suggest a revolutionary approach, whereas the industry's designs are based on PWRs

and BWRs operating today. The industry prefers instead to talk about building "advanced" reactors for the beginning of the next century. Although no orders are forthcoming yet from the world's utilities, the manufacturers have

prepared a dozen designs to tempt them. These have several common features, intended to reduce costs and increase safety. For example the power density of the core is reduced and the reactor is larger than earlier designs with the same output. And the new designs are simpler, more rugged and more forgiving of operator error and mechanical failure.

But their enriched uranium fuel will be very similar to that in current reactors. The new designs do nothing to answer the anti-nuclear critics who say the greatest hazard of atomic power is not the tiny risk of a catastrophic reactor accident but the certainty of more radioactive waste arising

from the nuclear fuel cycle.

The US is developing four advanced reactor designs with joint funding from the federal government and industry. There is a pair of large 1350MW designs (System 80+ from ABB Combustion Engineering and the Advanced BWR from General Electric) and a pair of smaller 600MW designs (AP600 from Westinghouse and the Simplified BWR from GE).

There is little immediate prospect of new husiness from the US electricity supply industry, which has not ordered a nuclear plant since 1978. But the two larger US designs stand a reasonable chance of winning export orders in Asia. Europe's leading design candidate is the 1450MW European PWR (EPR) from the

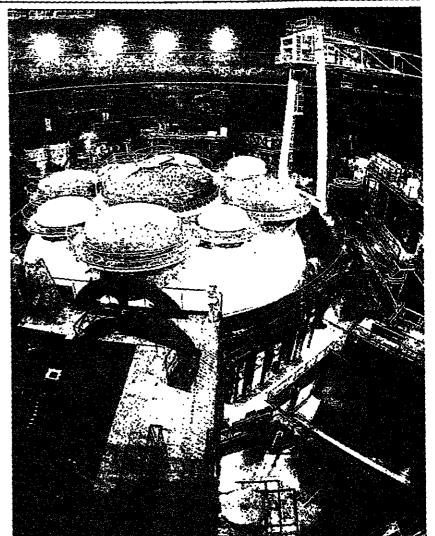
of France's Framatome and Germany's Siemens. It is very much an evolution of operating French and German PWRs. NPI hopes the EFR will be ready for ordering in 1997.

All the designs discussed so far are "thermal" reactors; their water or graphite moderator produces "slow" neutrons to sustain the fission chain reaction. But the founders of the nuclear industry 40 years ago had imagined that the world would have moved on by now to "fast reactors" with no moderator.

The fast reactor is also known as a "breeder", because surplus neutrons escape from the core and convert a surrounding blanket of unenriched or depleted uranium into new nuclear fuel in the form of plutonium. Prototype fast reactors have operated for many years in several countries (the UK example is at Dounreay on the north coast of Scotland; but they are more expensive to build than thermal reactors. With conventional nuclear fuel expected to remain cheap for decades to come, the economics of the industry do not currently favour them.

A still more distant prospect is the fusion reactor, whose energy comes from the joining of two light atoms into a heavier one; this is the exact opposite of the fission process in thermal and fast reactors. Fusion energy powers the sun and stars - and the hydrogen bomb - but has not yet been tamed for use in a nuclear power station. Fusion experiments such as the Joint European Torus (JET) in Oxfordshire have shown promise but commercial fusion reactors will not enter service before the year 2040.

*Nuclear Power in the UK, IEE, Savoy Place, London WC2. 25.



A French Super Phenix fast breeder reactor at Creys-Malville (Picture, Ashley Ashlwood)

gets, but it may fall well short of its objective of adding 40,000MW of nuclear capacity between now and 2010.

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The target, announced by the Ministry of International Trade and Industry at the start of the 1990s, was remarkably bold, but also ominous because of concern over placing so much nuclear capacity in an island nation only a little larger than the British Isles but twice as crowded.

Japan's electricity industry, dominated by 10 private regional utilities, bas so far towed the MITI line, although many executives now admit that the plan is too ambitious.

Equipment exporters, such as General Electric and Westinghouse of the US, which

JAPAN rarely misses its control the licensing for much economic and industrial tar- of the turbine technology used by the Japanese nuclear industry, welcome the potential nanza, but also expect it to be scaled back over the next two decades.

Nevertheless, MITT, and its partner organisation, the Agency for Natural Resources and Energy, is sticking to its guns. Japan's nuclear empha-

Japan is third in the nuclear generating league after the US and France

sis dates from the Middle East oil prices crises of the 1970s, and its power stations' very ndence on imported oil, coal and fiquefied natural Japan's expansion plan is proving too ambitious, reports Frank Gray Away from the fast lane

realistic.

Along with some hydroelectric and pumped storage, the nuclear option would insure against any further upheavals among its chief fuel suppliers. At present, Japan has more itself felt, and the country's than 42 nuclear power sta-

tions, with a combined canacity of 35,000MW. Output is 212 terawatt hours (twh), which means that nuclear supplies nearly 30 per cent of all Japan's electricity. Japan is third on a world

scale behind the US, with 110 plants, 105,000MW, generating 612 twb; and France whose 54

plants with a capacity of 57,600MW produce 314 twh. The MITI plan calls for 50,000MW by 2000 and 72,500MW by 2010. A certain degree of reality is making

utilities now expect a target of 45,000MW by 2000 to be more A total of 10 nuclear power stations are being built or awaiting construction. Given Japan's fairly fast installation deadline of five years per unit, this means that the modified

target looks reachable. Beyond

that, however, authorities admit to having much diffi-culty in establishing sites for new nuclear units.

All reactors are at coastal sites - some utilities, such as Tokyo Electric Power Co. Japan's largest with more than a third of all electricity capacity - operate several nuclear units outside their own service area. In addition, Japan's anti-nuclear lobby has become more effective in sounding alarms against the dangers of too much nuclear.

energy officials, the anti-nuclear arguments will be more strongly felt, and this will stall clearance of new sites.

government, say Japanese

On top of this, the outcome of the Gulf conflict and the recent Israeli-Palestinian peace accord are seen as having a long-term stabilising effect on Middle East oil

While Japan's nuclear programme is likely to fall behind schedule, it is pressing ahead with a long-term partner Given the recent change of scheme to develop a full

nuclear fuel cycle to give experimental stage, which Japan a capacity to undertake nuclear power production with minimal recourse to overseas suppliers, either in terms of equipment or uranium.

The first sign of this is the Rokkasho Mura uranium enrichment facility, the first phase of which opened in Aomori Prefecture in northern Japan in March 1992. A

The first demonstration fast breeder is expected to come on line by 2000

nuclear fuel reprocessing facility is to start operating by 2000, according to plans. In line with this, Japan is developing new types of

would save on uranium imports. The first demonstration Moniu fast breeder reactor (FBR) is expected to start operating by 2006. An advanced thermal demonstration reactor (ATR) will be constructed in Ohma-cho, Aomori Prefecture, and will start open ating in 2002. It is doubtful that any type

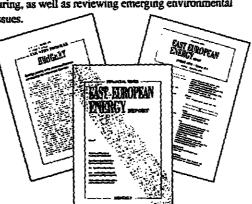
of commercial version of the FBR-ATR reactor will be generating electricity before 2010, after the current expansion timetable has passed. Japan's expressed determination to press ahead with its multi-faceted nuclear programme has sparked wide controversy, not least because of the world glut of uranium. This surplus, like that of oil, could slow down "breeder" reactors, now at an Japan's nuclear expansion.

The new markets – keeping business informed

Responding to the immense interest in Eastern European opportunities, the Financial Times now publishes a major new monthly business newsletter ~ East European Energy Report - focussing specifically on the energy sectors of the CIS and its constituent republics, the Baltics, the newly independent states of Yugoslavia, the Czech and Slovak Republics, Hungary, Poland, Bulgaria, Romania and Albania. Whatever your organisation's involvement in

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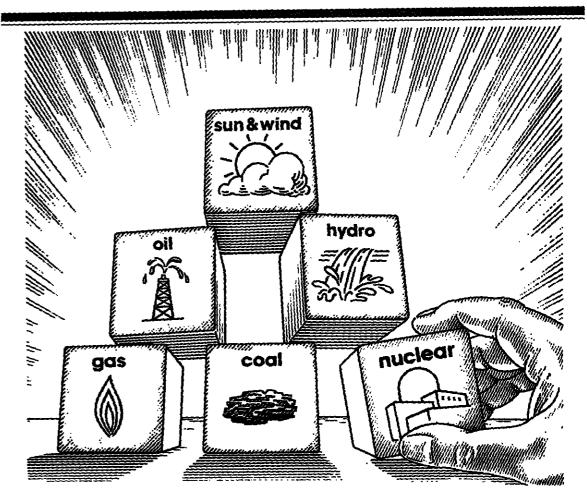
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Nuclear power. The future is clear.

WORLD NUCLEAR INDUSTRY VI

Bronwen Maddox reports from Chernobyl on the awesome results of the world's worst nuclear accident

Damage limitation in a death zone

GHOST towns are scattered across the fields and marshes around the Chernobyl nuclear power station, the site of the world's worst nuclear accident. A wire fence, 10 kilometres in radius, stops anyone but the plant's operators and a few scientists and visitors from enter-

ing this silent, poisoned zone. The explosion at Chernobyl in April 1986 is the shadow that hangs over the world's nuclear industry. It left thousands of acres of farmland in Belarus, Ukraine and Russia contaminated beyond recovery, and thousands of people exposed to radiation - the consequences for their health are still unknown.

Yet last month the Ukrainian government reversed its earlier decision to close down the remaining three reactors at Chernobyl by the end of the year because of the cost of buy-ing oil and gas from Russia. repair the second of the three reactors, which has been out of operation for two years follow-

That decision illustrates the problem facing a handful of the world's poorer countries: they have few alternatives to nuclear power, but lack the cash, technicians and management to run them safely. It presents richer countries with a challenge of how best to deploy assistance and funds to solve what is clearly an international threat: radioactive dust from Chernobyl reached

much of western Europe.

The public hostility to nuclear power provoked by Chernobyl also raised the question of how high richer countries' nuclear standards should

Safety measures in Western Europe. Japan and North America - pushed steadily higher by powerful "green' pressure groups and public opinion - are responsible for a large proportion of the costs of nuclear power, though one that is hard to quantify.

Recent Western efforts to improve the safety of the 58 Soviet-designed reactors in the former Soviet Union and Eastern Europe have focused on the 25 worst. In particular, ment and improve managethey have targeted Kozloduy in



Bulgaria and Ignalina in Lith-

Two years ago, Kozloduy was condemned as the world's most dangerous nuclear plant tional Atomic Energy Agency (IAEA), the Vienna-based nuclear watchdog, which found that it lacked even the emergency cooling system standard

in western reactors. Since then, Western European nuclear experts have been training the operators and ordering pipes and valves to be strengthened, as part of a programme run by the World Association of Nuclear Operators, an organisation set up three years after Chernobyl to promote high standards of nuclear management.

in June this year, the European Bank of Reconstruction and Development also approved a 24m Ecu grant to improve fire protection, cooling systems and valves.

At Ignalina, an IAEA report in February cited a long list of safety concerns including inadequate systems to relieve steam pressure. Efforts to upgrade the plant are being led by Sweden, the first country outside Ukraine to detect the Chernobyl explosion, and just across the Baltic Sea from

So far, the Swedish government has paid SKr70m (£5.7m), with another SKr53.2m due next year to upgrade equip-

But funds have so far fallen short of the problem: estimates have put the cost of thorough improvements at between \$10bn and \$20bn. Moreover, progress has been handicapped by western companies' concerns about sharing in liability

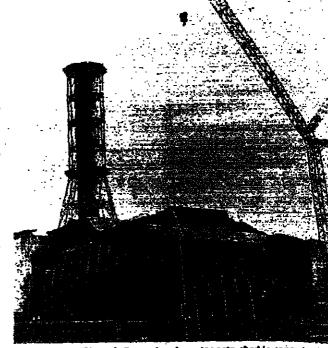
for the plants. Some have told the IAEA that they are worried that if there are accidents at the plants, they could be held to blame because their name is on some of the equipment. Awareness of the urgent problems at the eastern reactors has also heightened public pressures in richer countries for close scrutiny of nuclear energy campaigner at Friends of the Earth, the environmental pressure group, has attacked western governments for paying too little to improve the "rickety reactors" of eastern Europe or for developing alternatives to nuclear power at home.

The UK's Health and Safety Executive, which licenses nuclear installations, in a detailed and thoughtful report last year, pointed out that assessing the risk of disaster in nuclear plants is extremely difficult, as it consists of the judging the probabilities of failure many interconnected pieces of equipment. Some of the factors, such as human error, which was responsible for the accidents at Chernobyl and at Three Mile Island in the US. are "of their nature very hard to estimate," it comments. It observes, too, that people

els of risk in events they can control, such as riding motorcycles, than they will in others such as nuclear power or water quality. They have a particular fear of radiation, frequently out of proportion to the risks of exposure: many seem to rate death by radiation as worse than a death in a traffic accident, the HSE comments. Its conclusion is that safety

standards in any future nuclear plants - although the government has not yet decided whether to lift a moratorium on building new plants should be set so that the risk to the public is at least 10 times less than that of a traffic accident. This is a much higher standard that that for non-nuclear plants, it points out.

The result of these pressures is an uncomfortable future for nuclear operators in richer countries. They face pressure at home for tighter and more expensive safety standards at a point when many governments



are scrutinising the economics of nuclear power closely.
But they know, too, that much of the world's nuclear industry is run on much lower standards, a problem which international organisations have not yet successfully

addressed. The risk they face that another Chernobyl will irrevocably turn public opinion against nuclear power. It is in the nuclear industry's interest that the eastern problems are tackled soon.

Profile: ROGER HAYES of the British Nuclear Industry Forum

It's all about image

THE TRADITIONAL route to the top in UK nuclear organisations has been long years of work, usually technical, in the industry. Outsiders have found it difficult to penetrate a secretive and inward looking world.

But the introspective culture has been slowly changing following the appointment in recent years of Mr Bob Hawley and Mr James Hann, both outsiders recruited from the private sector, as chief executive of Nuclear Electric and chairman of Scottish Nuclear respectively. The latest outsider is Roger

Hayes who has been chosen for the job of director general of the British Nuclear Industry Forum, an umbrella for some 72 nuclear-related companies including Rolls-Royce and GEC. It is reflective of the industry's desire to break out of its egg-headed, closeted in public relations. There is plenty of scope for him to make use of his skills. The next six months or so

could be crucial to the future of nuclear power in the UK. Following the decision not to privatise Nuclear Electric and Scottish Nuclear in 1989, when the rest of the electricity supply industry was sold off to the private sector, the British government is due to start a nuclear review by the end of next month.

Although the review is unlikely to rule out construction of more nuclear power stations it will have a decisive influence on the speed of development. There could also be a greater role for the private sector and Nuclear Electric is pressing hard that it be privatised.

Rarely has the UK nuclear industry needed an effective image that his background is spokesman more strongly. Mr

Hayes, 48, has experience both in corporate and political lobbying. After a spell as Reuter economics correspondent in Paris in the late 1960s and early 1970s he joined Burston Marsteller to specialise in cor-porate affairs for multination-

als and governments. In a decade with BM he was involved both with British politics through the "Britain in Europe" campaign and as a founder of the Tory Reform Group. In the 1980s he had spells with Thorn EMI as corporate communications director and developing his own consultancy before moving to Ford of Europe in 1991 as vice president of public and government affairs.

His tenure at Ford ended this year after the appointment of Mr Jacques Nasser as head of Ford of Europe. Hayes puts it down to strategic differences but admits that it was

difficult for an outsider at Ford, a company which like the nuclear industry normally expects senior executives to be products of the motor sector. "The average Ford employee

has about 23 years with the company. I did not know the industry well and it was quite difficult to gain credibility. Part of the difficulty was lack of time, says Hayes. He was at Ford for two years but expects to spend longer at BNIF. His aim is to "bring the

forum and the industry more into the centre of events' partly by playing a bigger role internationally and partly by making it more active.

"Like many other people I think the industry has been timid and defensive. We must answer the views of our critics in Greenpeace and other organisations but we should not get too bogged down in that. We also need to stake out



Rocer Hayes: plenty of scope for a

some territory of our own. "We must certainly put the business case for nuclear power and demonstrate the industry's role to reduce global warming. It is also important for the big companies to sing the same so Maybe I will need to knock

come heads together." That may prove difficult: Although the nuclear industry is at one on some obvio issues, such as pressing for expansion, there are significant differences between Nuclear Electric and British Nuclear Fuels over contract

prices and between th Electric and Scottish Nuclean over privatisation.
Privatisation will be a crecial element of the nuclear review if Nuclear Electric has its way but Scottish Nuclear is much less convinced sheat whether it is the right way

ahead if the industry wants to Mr Hayes says the role of the forum should be to reconcile and balance interests. There are some issues when it will not be possible to have a foram view. There may be others where we have a view

but do not want to communi-Generally, however, Mr Hayes will preach the compa nicatious gospel. "Any indus-try that falls to communicate suffers but particularly one, like ours, that is sensitive to

public opinion." He promises a broad brush approach that will include seminars and literature but also wants to investigate the targeting of specific audiences

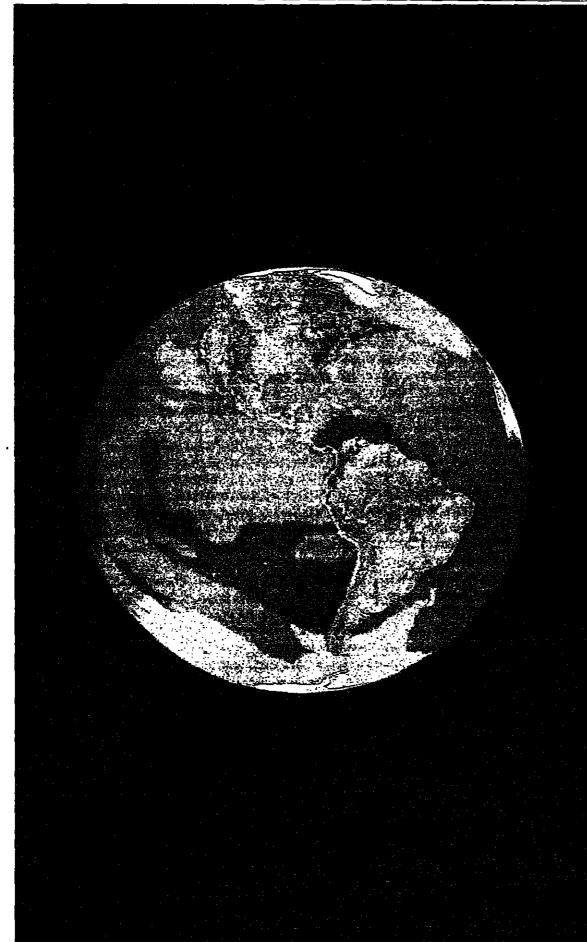
Michael Smith

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